

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

The Society of Incorporated Accountants and Auditors



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Professional Notes.

THE completion of the chain of District Societies of Incorporated Accountants in Great Britain and Ireland has added materially to the duties of the President of the Society, who is expected formally to visit the headquarters of each District and to deliver an address on some matter of professional or public interest. As far as possible,

the President of any body of professional men has to avoid the discussion of topics which excite party political prejudices, or are subjects of acute public differences. In these days it is particularly difficult, in fact impossible, to abstain from the consideration of matters which are of vital importance to the community as a whole, and in which Governments and Parliaments take an active interest, with more or less success.

Our columns for many months have contained reports of speeches by Mr. Henry Morgan, delivered by him in his capacity of President of the Society of Incorporated Accountants and Auditors. His outspoken views on the causes of the troubles which in recent years have afflicted industry and commerce have been the cause of widespread attention and comment. "He is," says *The Times Trade Supplement*, "one of the few leading business men who not only have something to say, but are not afraid to say it. Such men are bound to find themselves in hot water occasionally, but, provided they are sincere and well informed and have a single eye to the public service, they do an incalculable amount of good."

The article in *The Times Trade Supplement* from which we quote deals more particularly with Mr. Morgan's plea for the need of the revision of the Companies Acts in regard to the incompetence of many directors, and of the manner in which they ignore their responsibilities and exploit companies for personal advantage. This is only one of the topics which Mr. Morgan has made his own. In a recent speech delivered at Leicester he dealt with the subject of the national indebtedness, and Fixed Interest Investments, and as our correspondence column shows, he has brought upon himself the wrath of one of the senior members of the Society, Mr. H. Reginald Sibson, who is now living in retirement. Mr. Sibson is of opinion that the Society's gatherings ought not to be a vehicle for observations such as those made by Mr. Morgan. We, for our part, prefer the attitude adopted in *The Times Trade Supplement* to that maintained by Mr. Sibson. To enable our readers to form their own judgment we have taken the opportunity of printing in our columns the article referred to, as also Mr. Sibson's letter. We have only to add that if any leading member of our profession is to be expected to make the heavy sacrifices demanded by the occupancy of such a position as President of the Society, and at the same time is to be muzzled, it will be very difficult to find

an Incorporated Accountant both competent and willing to fill the role of the principal representative of the Society.

A short time ago we were advised of the arrival in England of the International President of the International Accountants' Corporation and Book-Keepers' Institute of Australasia, who, we understand, is engaged on an active campaign for the enrolment of members of his Corporation and Institute. If there are any persons who consider it will be to their advantage to pay fees to this Corporation for the "right" to place certain initial letters after their names it would not appear to be any concern of ours, provided that neither the Corporation nor its members infringe the legal rights of the members of the Society of Incorporated Accountants and Auditors, as laid down by the judgments of the Courts. We are informed that by "inadvertence" some literature emanating from the Corporation has been distributed intimating that the members of the Corporation could describe themselves as "Incorporated Accountants." It has further been conveyed to us that the International President has expressed regret that this literature has got into circulation, as it was supposed to have been destroyed. In any case, the President states that he is most anxious not to infringe the rights of other Institutes, and that he is willing to respect all proper obligations. Under these circumstances, no useful purpose would be served by discussing further this International Accountants' and Book-Keepers' Institute and the doings of its International President, which are receiving some attention in other quarters.

In October, 1930, certain information was communicated to the Gas Committee of the Nottingham Corporation, as the result of which an investigation was made of the accounts of the Gas Department, which led to an official and a number of tradesmen being charged with having defrauded the Corporation. At the recent Assizes all the defendants, except one, pleaded guilty to certain of the charges, and the remaining defendant was found guilty after a hearing which lasted nine days. Sentences of penal servitude and imprisonment were passed upon all the defendants except two, who were bound over to come up for judgment when called upon.

After the defendants had been committed for trial, the General Purposes Committee of the Council of the Corporation considered it their duty to review the position which had arisen, and they instructed Messrs. Hubbard, Durose and

Pain to report to the Committee fully on the system of accountancy employed in the Gas Undertaking, particularly in relation to stock and stores accounts, and also on all matters affecting in any way the receipts and payments and business transactions of such undertaking in relation to its officers or servants, and further, to report on the establishment of such systems of accountancy, including the keeping of stock and stores, as are desirable for the future conduct of the Gas Undertaking.

Upon consideration of Messrs. Hubbard, Durose & Pain's report, the Committee recommended the Council *inter alia*, that in future the financial and accountancy systems of the various departments of the Corporation should be placed under the sole control and direction of the City Treasurer, who should be wholly responsible for the accounts and finance of all departments, including the trading departments. This report, which also contained other recommendations, was adopted by the Council on April 13th.

We do not propose to discuss in detail the report of the accountants on the Corporation Gas Department, because there must be further investigation in regard to the discharge of their duties by certain of the officials referred to in the report, and we do not think it would be altogether fair to them publicly to allude to certain features of the report at the present time. We feel, however, that having regard to the generally accepted views in such matters, the Corporation have come to a wise decision, to make the City Treasurer in future wholly responsible for the accounts and finance of all the departments of the Corporation.

Mr. Snowden's Budget statement did not produce many surprises. It was notable chiefly for the fact that it contained fewer new imposts than were generally expected, the only additional tax being 2d. per gallon on petrol. The one new feature that had not been anticipated in the many forecasts was the substitution of three-quarters for one-half of the Income Tax as the amount payable by firms and individuals on January 1st under Schedules B, D and E. This may not be very popular, but it will no doubt be regarded as preferable to additional taxation.

The Chancellor's proposal to transfer the Collectors of Income Tax so as to bring them under the control of the Board of Inland Revenue, and thus become Civil Servants, is likely to meet with a good deal of criticism, as it is considered that the

ultimate consequence will be that the assessing authority which is now vested in the Local Commissioners will also be transferred at a later date so that the whole machinery of assessment and collection will pass into the hands of a Government Department. There seems to be a widespread feeling that the transfer of the collectors into the category of Civil Servants would result in harsher methods being adopted in the collection of the Income Tax, and less sympathetic consideration being given to cases where the strict enforcement of the legal rights of the Inland Revenue might have unfortunate results.

There has been a great deal of correspondence lately with regard to the proposed transfers, and various bodies of commissioners have passed resolutions strongly objecting. The contention of the Board of Inland Revenue is that the position of the collectors would be improved as regards remuneration and otherwise, and that the jurisdiction of the local commissioners would remain unimpaired. This, however, does not appear to be the view held by these commissioners. The resolutions passed by them are substantially all to the same effect, namely, that while they are in sympathy with any scheme which might improve the position and remuneration of the collectors, they see no reason why the present control of the commissioners over the assessment and collection of Income Tax should be disturbed or any safeguards at present entrusted to them on behalf of the tax payers should be interfered with. It appears, however, from the Budget Statement that in the forthcoming Finance Bill the Government proposes to make the transfer.

The National Association of Assessors and Collectors of Taxes have issued a statement supporting the proposed change. This is not altogether surprising, as the position and prospects of these Collectors will probably be improved in several respects. On the other hand, the Committee of the National Union of Manufacturers have sent a letter to the Chancellor of the Exchequer stating that they would view with very serious apprehension any proposal to remove from the local commissioners of Income Tax the responsibility for the appointment or oversight of Assessors and Collectors of Income Tax.

Some important decisions have recently been given in relation to Income Tax matters. In the case of *Wilkinson v. The Inland Revenue*, a company which had on its balance sheet an amount of accumulated profits, used these profits for the purpose of acquiring shares in a subsidiary

company, and distributed the shares amongst its shareholders. The question then arose as to whether the value of the shares so distributed was liable to Super Tax in the hands of the recipients. It was claimed by the company that the transaction was a distribution of capital and therefore not liable to assessment. The Crown maintained that as the shares were acquired out of accumulated profits the distribution was equivalent to a release of assets by the company to its own shareholders.

The Special Commissioners held that the distribution of the shares to the extent that they were acquired out of accumulated profits was income liable to Super Tax, leaving the question of the value of the shares to be settled between the parties. A case was then stated for the opinion of the Court, and Mr. Justice Rowlatt confirmed the decision of the Commissioners. He said that a distribution of shares in another company was merely a distribution of money's worth instead of money. There was no increase in the capital of the parent company, and hence it was not possible to maintain that any of its profits had been capitalised.

An interesting point relating to the question of a lump sum payment in lieu of annual payments arose in the case of *Anglo-Persian Oil Company, Limited, v. Dale (Inspector of Taxes)*. The appellant company employed another company to act as its agents to manage its business in the East on a commission basis, and as the business developed the commission grew to be a very large sum, reaching the neighbourhood of £100,000 a year. Under the terms of the agreement the agency, which had a number of years to run, was terminated by a payment to the agents of a sum of £300,000. This was paid in cash in the year 1923, and treated in the company's accounts as a revenue payment at the rate of £60,000 a year for five years. The company claimed to charge the £300,000 against profits for Income Tax purposes, but the Special Commissioners held that the amount was an expenditure of a capital nature to secure an enduring benefit for the company's trade by getting rid of an onerous contract, and was not an admissible deduction.

Upon a case being stated for the opinion of the Court, Mr. Justice Rowlatt disagreed with the Commissioners, and said that the payment appeared to him to represent nothing at all but a lump sum representing the future emoluments of the agents. His Lordship said that the first point to consider was whether the annual expense

which was being got rid of was an expense chargeable against revenue, but it did not quite stop there because it must be subject to the proviso that the charge against revenue must be commuted by a payment, and not by the acquisition of a capital asset so as to enable the annual payment to be dispensed with. For instance, it would not be permissible to charge against profits the cost of labour-saving machinery by showing that it reduced the annual labour bill. Judgment was accordingly given in favour of the company.

There have been a number of judgments relating to what constitutes a separate source of income for the purpose of fixing the basis of assessment to Income Tax, the tendency hitherto being to increase by subdivision the number of categories representing separate sources, but in the case of *Merrifield (Inspector of Taxes) v. Wallpaper Manufacturers Limited*, it has been laid down by the Court that only the sources of income which are separately mentioned in the Income Tax rules are to be regarded as separate sources for taxation purposes. The point in dispute in this particular case was whether National War Bonds which had been converted into War Loan constituted a new source of income, and Mr. Justice Rowlatt said he could not find any authority for treating it as a separate source. What the Act specified, he said, was "Interest from any securities under the War Loan Acts," and both the securities in question came within that category.

The result is that, there being no change in the source from which the income was derived, the assessment continues to be computed on the basis of the income of the year preceding the year of assessment. This judgment will tend to simplify the computation of assessments where changes of investments take place, by reducing the number of cases where the Inland Revenue can claim that a new source of income has arisen. But there still remains the troublesome provision that any increase or decrease of an investment which is not subject to taxation by deduction must be treated as a new source or a terminating source of income as the case may be.

In the case of *Henry (Inspector of Taxes) v. Arthur Foster*, the Court of Appeal, reversing both the ruling of the Special Commissioners and the decision of Mr. Justice Rowlatt, held that in certain circumstances amounts paid to directors upon resignation of office were profits

derived from the holding of that office, and therefore subject to assessment for Income Tax. This decision, however, may not apply in many cases, because the payments were made under the provisions of one of the company's Articles of Association, which stated that in the event of any director dying or resigning his office the company should pay by way of compensation for loss of office a sum equal to the total amount of remuneration which had been received by him as director's fees for the last five years. The basis of their Lordships' judgment was that there was a direct relation between the holding of the office of director and the right to payment of the sums in question, and that the company accordingly contracted to make such payments as part of the remuneration of the directors. The sum payable under the Articles was accordingly a payment which could have been enforced by legal action, and not a "solatium" given upon retirement. It would seem, therefore, that if the payments in question had not been such as could be claimed as a legal right they would probably have been held to be free from Income Tax liability.

In the House of Commons a Bill providing for the registration of Architects was read a third time last month. In the course of the discussion an amendment was accepted providing that not less than half of the total amount received in fees annually by the Council to be established under the Act, should be devoted to providing scholarships and maintenance grants for the assistance of students with inadequate means.

At the Liverpool Assizes a novel point came before Mr. Justice Finlay last month. A will was signed by a woman at the top of the sheet because there was no room for her signature at the foot. Probate had been refused because of the unusual position of the signature, but the will was upheld by the Court upon satisfaction by strict proof that the signature was made after the will had been written and intended to refer to it and to nothing else.

A comparison of the cost of living index figure for July, 1914, with that of January, 1931, shows that as regards food the increase is 36 per cent., and as regards clothing about 100 per cent., while the index figure for all items shows an increase of 52 per cent. The costs included are food, rent and rates, clothing, fuel and light, and sundry domestic items. In arriving at the index figure each item is weighted according to its importance in the family budget. The object

is to give a standard of comparison of the cost of maintaining a working class family before the war and at the present time.

Sect. 78 of the Companies Act, 1929, is being strictly enforced. The section provides for penalties in the case of any refusal to supply to a shareholder or debenture holder a copy of the Register of Debentures or any part thereof upon payment of the prescribed fee. In a case which came before the Lord Mayor of London recently the managing director of a company was fined £50 and £10 10s. costs for failing to comply with the provisions of the section. Apparently the information was required in connection with an action which was pending in the Chancery Court, and the Lord Mayor was convinced that there was animus in the matter.

RISKS OF REDUCED RATE TRAVELLING.

The principles of contract law apply to the problems of the rights of passengers, and the liabilities towards them of railway and other transport companies, arising out of accidental loss of property conveyed or personal injury sustained. An appreciation of this fact would save much heartburning and futile railing against the alleged unreasonableness of conditions attached to "reduced rate" tickets which protect the companies from liability which might otherwise accrue to them.

In *Thompson v. London, Midland and Scottish Railway Company* (1930), it was held that the plaintiff was unable to recover damages for personal injury sustained by her, owing to the alleged negligence of the defendants' servants in not drawing right up to the platform the train on which she had travelled at the station where she was to alight, whereby she slipped and was hurt. The plaintiff had travelled by a half-day excursion ticket from Manchester to Darwen; it had been issued to her at half the normal price, and bore upon its face the words: "Excursion, For Conditions see back." On the back of the ticket was a statement that it was issued subject to the conditions and regulations in the company's time tables, notices and excursion handbills. Those conditions included one in these terms: "Excursion tickets and tickets issued at fares less than the ordinary fares are issued subject to the general regulations and conditions and also the condition that neither the holders nor any other person shall have any right of action against the company in respect of injury (fatal or otherwise), loss, damage or delay however caused." It was held by the Court of Appeal (Lord

Hanworth (M.R.) and Lords Justices Lawrence and Sankey) that (1) the reduction in the price of the ticket offered by the seller and accepted by the purchaser was consideration for the exemption from liability; (2) it was sufficient, provided that the seller had given adequate notice of the existence of the conditions and information which would lead a prudent purchaser to ascertain their nature in detail; (3) "the mere circuitry which has to be followed" in order to obtain full knowledge of the conditions does not aid the purchaser who fails to follow it, even though in actual practice few travellers trouble to do so; for the company cannot in reason do more than provide facilities for acquiring knowledge of the full terms of the contract; and (4) the illiteracy of the plaintiff in this case did not aid her so as to take her outside the scope of the exemption from liability thus secured by the defendants, (a) "having regard to the condition of education in this country," and (b) because in fact it was proved that her niece who accompanied her received adequate notice of the existence of special conditions attaching to excursion tickets from handbills hanging in the booking hall of the station of departure.

A railway company is not saddled with the liabilities of common carriers when they make a special contract of this nature, it was said by Baron Pigott in *Stewart v. London and North Western Railway Company* (1864). There the plaintiff unsuccessfully sought compensation for the loss of his luggage, and his excursion ticket had stated that luggage under 60 lb. would be carried free at passenger's risk. Accepting his evidence that he was unaware of the existence of the condition, Chief Baron Pollock said that every man must be taken in law to know that which he has the means of knowing.

The carrier cannot shelter himself from liability to a passenger, however, behind a condition which the latter had no means, or inadequate means, of knowing. Thus, in *Murdock v. A. E. Keeling & Sons, Limited* (1930), it was held that the plaintiff was entitled to sue for the loss of his suitcase where a motor coach company had issued a ticket to him which stated on its face "See back" (not "For conditions see back"), and on the back was a condition exempting the carrier from liability for loss of passengers' luggage.

Less conspicuous notice is necessary in the case of a "reduced rate" ticket than in that of a normal rate contract, since the very fact of the rate being specially reduced of itself warns the purchaser of the probability of the existence of special terms and conditions correspondingly reducing the contractor's liability, as was emphasised in the famous case of *Parker v. South*

Eastern Railway Company (1877). In that case the plaintiff had deposited a bag in the cloak-room, and the ticket issued to him contained on its back a term that the company would not be responsible for bags deposited over the value of £10. The words "See back" on the face of the ticket might well, it was conceded, have failed to warn the depositor of the existence of limiting conditions. He might reasonably have supposed the ticket to be no more than an acknowledgment of receipt, and the words "See back" an attempt to draw his attention to an advertisement relating to some other activity of the company—which he was under no obligation to read.

In all these cases of contracts made by one of the contractors handing over to the other a document containing conditions, it is always for the Court to decide whether the former gave reasonable notice to the latter of the terms of the contract so communicated—*Watkins v. Rymill* (1888). For it is of the essence of the concluding of a contractual agreement that the party imposing a condition shall communicate it to the other, since without such notice there is lacking that *consensus ad idem* which is vital to the very existence of a contract.

A curious case was *Rogers v. London, Midland and Scottish Railway Company* (1930), where the Divisional Court overruled the decision of the County Court Judge awarding the plaintiff damages for personal injury sustained by her through the falling of a notice board in the booking hall just after she had purchased an excursion ticket at the booking office window. The ticket was issued subject to a condition exempting the railway company from liability for injury occurring on "any railway or premises upon which such tickets may be available." The County Court Judge had held that the company was not protected in the circumstances, because the plaintiff was not on premises on which her ticket was available for the journey at the time of the accident. The Divisional Court, however, laid down that "each place along the whole of the way from the ticket office to the train constituted premises on which the ticket was available or was being used."

Finally, attention may be directed to the interesting case of *Nunan v. Southern Railway Company* (1928). There the reduced rate ticket issued was a special "workmen's ticket"; that ticket was regulated by powers conferred upon the defendant company by the South Eastern and London, Chatham and Dover Railway Companies Act, 1899. The statute authorised the company to issue "workmen's tickets" subject to a condition limiting its liability for injury to a maximum of £100. The plaintiff was the widow of

a workman who had been killed whilst travelling on the defendant company's line with such a ticket. It was admitted that his death arose from the negligence of the defendants' servants. The widow sued for damages under the provisions of the Fatal Accidents Act, 1846. It was held that damages must be limited to the maximum of £100, having regard to the existence of the special condition.

COMPANY OFFICERS AND BILLS OF EXCHANGE.

THE relevant sections of the Companies Act, 1929, dealing with company officers and bills of exchange, are sects. 90 and 93. Sect. 90 provides that a bill of exchange is deemed to have been made, accepted, or endorsed on behalf of a company if made, accepted, or endorsed in the name of, or by or on behalf or on account of, the company by any person acting under its authority. Sect. 93 provides that every company shall have its name mentioned in legible characters in all bills of exchange, promissory notes, endorsements, cheques and orders for money purporting to be signed by or on behalf of the company, and every officer of the company who signs or authorises to be signed on behalf of the company any bill of exchange, &c., wherein its name is not mentioned in manner aforesaid shall be liable to a fine not exceeding £50, and shall further be personally liable to the holder of the bill of exchange for the amount thereof, unless it is duly paid by the company.

Except in the case of a trading company, or unless the Memorandum expresses or implies such a power, directors cannot make, accept or endorse bills of exchange. It is a sufficient compliance with sect. 93, that in a bill addressed to a company the company's name is correctly stated in the address without being also stated in the acceptance; and the company's name is correctly stated although the abbreviation "Ltd." is used instead of "Limited" (*Stacey v. Wallis* (1912)). In *Atkin v. Wardle* (1889), where the incorrect title of the company was used, the directors, as officers of the company, were held personally liable for the amount of a bill by reason of their having signed it on the company's behalf. A secretary of a company who accepted a bill addressed to the company in which the word Limited was omitted was held liable thereon in *Penrose v. Martyn* (1858). Where a managing director signed a bill on behalf of the company without any authority to do so, it was held (*Dey v. Pullinger Engineering Company*, 1921) that the company was bound to a person taking

the bill in due course. He was a person acting under its authority within sect. 80. In *Premier Industrial Bank v. Crabtree, Limited* (1908) bills drawn on a limited company were accepted by one of its directors, without the knowledge or sanction of his co-directors. There was no consideration to the company for the bills, and they received no part of the proceeds. Among the objects of the company as defined by its Memorandum were the drawing, making, accepting, endorsing and discounting of bills of exchange and promissory notes, and by its Articles the directors were authorised to delegate any of their powers to committees consisting of such member or members of their body as they thought fit. In an action on the bills by *bona fide* holders for value it was held that, as the director had no authority in fact to accept the bills, he was not accepting them acting under the authority of the company, and therefore the company was not bound by his acceptances. This was not followed in *Dey v. Pullinger Engineering Company*.

In *Kreditbank Cassel v. Schenkers, Limited* (1927) the defendant company, by its Memorandum, had power to sign, draw, accept and endorse bills of exchange, and by its Articles the directors were empowered to determine who should be entitled to sign and make, draw, accept and endorse on the company's behalf bills, acceptances and endorsements. The defendants, whose business was that of forwarding agents, had a branch at Manchester under a branch manager S. C., who, without having received any authority from the defendants, and acting in fraud of them, drew seven bills, purporting to do so on the company's behalf. The bills were drawn to the order of the company, accepted by C. & W., Limited, a company in which S. C. was interested, and endorsed on behalf of the defendants "S. C., Manchester Manager." The bills having been dishonoured by the acceptors, the plaintiffs, who were holders in due course, sued the defendants as drawers. It was held (1) that as it did not appear that the plaintiffs knew of the existence of the power of delegation contained in the defendants' Articles of Association, they were not entitled to rely upon its supposed exercise; (2) that the bills were forgeries and the plaintiffs could not, in any event, invoke the principle that they were not bound to inquire into the indoor management of the defendant company; (3) that even if the plaintiffs had known of the power of delegation, they were not entitled to assume that a person in the position of a provincial manager like S. C. had ostensible authority to draw and endorse bills on behalf of the defendants; (4) that the defendants had done nothing

to preclude themselves from setting up the forgery of the bills or the want of authority of S. C.; and (5) that the defendants were not liable on the bills. A bill accepted in the form "H. I. & R. M., Directors, Fashions Fair Exhibition, Ltd.," and indorsed at the request of the plaintiff by the directors "Fashions Fair, Ltd. H. I. & R. M., Directors," was held in the circumstances to render the directors liable as indorsers in the case of *Elliott v. Bax Ironside* (1925).

The above principles also apply to promissory notes and cheques. A promissory note was signed by the managing director in the following form: "Six months after demand I promise to pay to Mrs. Chapman the sum of £800 for value received, together with six per cent. per annum. *J. H. Smethurst's Laundry and Dye Works, Limited. J. H. Smethurst, Managing Director.*" The words italicised were stamped by means of a rubber stamp. It was held that the note was the note of the company, and that the managing director was not personally liable (*Chapman v. Smethurst* (1909)). Similarly, directors were held not personally responsible where, owing to the length of the rubber stamp employed, the word "Limited" overlapped the paper and did not appear (*Dermatine Company v. Ashworth* (1905)). A note in the form of "We, the directors of the A. Company, Limited, promise to pay," &c., signed by the chairman and three other directors with the seal of the company in the corner, was held in *Dutton v. Marsh* (1871) to bind the directors personally.

Cheques should clearly indicate that they are drawn "for and on behalf of the company," which words should be placed near the signature of the drawer. In *Landes v. Marcus & Davids* (1909), a cheque drawn in favour of the plaintiff was stamped near the top with the words "B. Marcus & Co., Limited," and was signed by the two defendants as follows: "B. Marcus, Director; S. H. Davids, Director," the space for the signature of the secretary being left blank. The name of the company did not appear anywhere except at the top of the cheque. It was held that the defendants were personally liable on the cheque.

The Society of Incorporated Accountants and Auditors.

Mr. Ernest E. Edwards, B.A., LL.B., Assistant Parliamentary Secretary, has been appointed Parliamentary Secretary of the Society of Incorporated Accountants and Auditors in the place of Mr. J. R. W. Alexander, M.A., LL.B., resigned. Mr. Alexander has been appointed Standing Counsel to the Society.

THE BUDGET.

CHANCELLOR'S SPEECH.

The following is the text of the Chancellor's speech in so far as it relates to direct taxation. After referring to the figures of income and expenditure for the past year Mr. Snowden said :—

I now return to the problem of finding the necessary additional revenue to cover the estimated deficit of £37,366,000. Such a problem must necessarily be a grievous anxiety to any Chancellor at any time. My task is exceptionally hard, since the great depression in the world trade has produced the Budget problem, and that is essentially the strongest obstacle to any increase in the rate of taxation. I have not lacked advisers in my difficulties. The party opposite will find an easy solution of the problem by the imposition of duties upon everything. From these duties the sum of £50,000,000 to £100,000,000 a year will fall into the lap of the Exchequer as a gift from Providence, like the Israelites' manna fell from Heaven. No one is to pay these duties, and, incidentally, they will be levied on goods which protection prevented from coming into the country. A revenue tariff was advocated as the first instalment of a high general protective tariff. So far as producers are concerned, it is a means of transferring taxation to the general consumer for the relief of the direct taxpayer. It is not to be accompanied, we are told, by countervailing Excise duties, but it will levy an Excise duty on every article of home production, with this difference, that this Excise duty on home production will not come as revenue to the Exchequer, but will be pocketed by the manufacturers in increased profits.

We are asked by this proposal for a revenue tariff to go back to the pernicious taxation methods of a century ago which were radically described by William Pitt when he said that there is a way in which you can tax the last rag from the back and the last bite from the mouth, and that is by putting taxes upon a large number of articles in general use. The tax will pass in the price of the articles, the people will grumble about high prices and hard times, but they will never know that the hard times are caused by the heavy taxation. A revenue tariff, apart from its protectionist object, is a means of relieving the well-to-do at the expense of the poor, and is an indirect attack on, and reduction of, wages. I shall never be a party to any such thing. A tax which would reduce the main consuming power of the masses of the people, apart from all other considerations, must be harmful to trade, and I have explained on several previous occasions my desire to avoid if possible all forms of taxation which, whether from the economic or the psychological point of view, would have a depressing effect on industry and might retard recovery in trade and employment. Moreover, it is only too clear that in many directions increased rates of taxation would at this time produce a disappointingly low increase in yield. It will be obvious to the Committee that I shall have to propose additions to taxation.

The Exchange Account.

The Chancellor then referred to the Exchange Account, which represents a sum of £33,000,000 advanced from Votes of Credit during the War and utilised by the Treasury in purchasing foreign exchange to finance payments of our obligations abroad. This, he said, is not an account to which expenditure is finally charged, but is in the nature of a revolving fund which has enabled us to buy foreign exchange under favourable conditions in advance of the date upon which we had to make payments. There is no doubt, said Mr. Snowden, that the size of the account is excessive for present or future needs, and that without injury to the public interests it can be reduced by £20,000,000. I am thus in a position to increase the miscellaneous receipts for this year by that amount.

Changed Method of Collecting Income Tax.

I have already explained that the yield of the income tax this year will suffer from the fall in profits in 1930 due to trade depression. This fall in the yield of the income tax is, however, temporary, and we can look forward to higher return as the depression passes away. As I have said, I cannot ignore the psychological effect on trade and commerce of any increase in direct taxation at a time when they are, I hope, on the point of emerging from an unprecedented slump. I have, therefore, decided not to propose any increase in the standard rate of income tax. I propose, however, to tide over the temporary period of low yield of that tax by partially withdrawing a concession which was made in the Finance Act of 1915.

Before that time income tax was payable in one sum on January 1st. In the second Finance Act of 1915, a concession was made under which in the case of certain income tax payers charged under Schedules B, D, and E, it became payable in two instalments on January 1st and July 1st. It will be remembered that in 1927 my predecessor balanced his Budget by withdrawing a similar concession in the case of Schedule A, and by making the full income tax under Schedule A payable on January 1st. I am now proposing to go as far as he did. The modification which I shall ask the House to approve is the substitution for the present equal instalments of tax under Schedules B, D, and E of a first instalment of three-quarters on January 1st next and a second instalment of one-quarter—that is, the remainder of the year's tax—on July 1st following.

In other words, as the law now stands, the taxpayers in question would pay the 1931 income tax on their profits or emoluments, half on January 1st next and half on July 1st. I now propose that they should pay three-fourths on January 1st and one-quarter on July 1st. The result will be that the Exchequer will get in in these cases an extra quarter of the year's tax within the present financial year. It is estimated that the gain on this year will be £10,000,000. Next year's yield will not, of course, be affected by this change, for what is lost on July 1st next year will, in fact, be regained on January 1st in the following year. The taxpayers concerned are

individuals and firms engaged in trades, professions, or husbandry, or employees. Weekly wage earners whose income tax is assessed half-yearly will not be affected by the change.

I cannot expect that this modification of the concession made in 1915 will be welcomed by the individuals affected, but I feel confident that they will realise the difficulties which have occasioned it, and will be willing to make this contribution to our present national needs. They will have eight months within which to arrange their affairs in order to make the additional payment in January, and they will have a correspondingly reduced payment to make in the following July. I think that most of them will, at any rate, feel that this arrangement is preferable to an increased charge in two equal instalments. The proposal affects only a small proportion of the produce of income tax, as the amount of tax collected from the second instalment represents only about one-tenth of the total annual payment. The great bulk of the income tax is collected either by deduction at the source at the time of receipt of income or by direct payment on January 1st, and, to the extent that one-quarter of their tax will still remain payable on July 1st, the taxpayers affected by this proposal will continue to enjoy an advantage over the great body of income tax payers. That reduces the estimated deficit by £30,000,000, leaving me £7,500,000 still short.

Income Tax Collectors to be Transferred.

I am proposing a change in the machinery of collecting income tax. Collectors of taxes have been for a long time claiming that their service should be recognised under Civil Service conditions. It is my own view. I stated in the House seven years ago that this service is in need of comprehensive reform in the interest both of the State and of the staff. I am clear that they are right that, as a practical matter, reorganisation is only possible if the collecting service is placed under a single undivided control. I dissent absolutely from the view that this reform will be injurious to the interests of any taxpayer, great or small. Centralised collection under the Board of Inland Revenue was recommended by the Royal Commission on Income Tax. It is already in operation over practically the whole of Scotland and Northern Ireland and over 17 large collecting areas in England and Wales, including aristocratic Bournemouth and industrial Bradford, Bristol, Cardiff, Hull, Halifax, Leeds, Liverpool, Manchester, Newcastle, and Southampton. In none of these areas has there been any complaint on the part of taxpayers. The Finance Bill will, therefore, provide that the appointment of collectors will in future rest with the Commissioners of Inland Revenue.

Mr. Snowden stated that he proposed to raise the duty on petrol by 2d. per gallon, which he estimated would yield £7,500,000 in the current year and £8,000,000 in a full year.

After referring to the need for economy he then proceeded:

Taxation of Land Values.

Now I turn to what I regard as the main feature of this year's Budget. The Committee will remember that in my last Budget speech I announced the introduction of a Land Valuation Bill as a prelude to levying a new impost on this basis. The Bill was, in fact, introduced later in the year, but the pressure of public business made it impossible for us to proceed with it. This year we are going to do that. Since that time I have given considerable thought to the whole subject, and I now propose to include in this year's Finance Bill provisions for the taxation of land values, provisions for the necessary and preliminary step of valuation, together with provisions for the imposition of a tax on land values upon the valuation thus obtained. I think it will be obvious, both on general grounds and also from the experience of the scheme of land value taxation introduced by Mr. Lloyd George, that it would be unwise, if not impracticable, to attempt to value and tax concurrently.

The valuation is the first and indeed the essential step to any scheme under which a contribution to the needs of the community can be levied upon land values. I propose that the valuation should be substantially completed before the tax begins to be levied. Thus the impost will not become operative during the current financial year and this will necessitate a somewhat special procedure about which I shall have something further to say in a moment. Let me first say that the valuation will, I hope, be concluded within a period of two years from the passing of the Bill. It will thus be available, subject to periodical revision, as a basis upon which to charge an annual tax for 1933-34 and subsequent years. That tax, for which provision will also be included in the Bill, will be at the rate of 1d. in the pound on capital land value.

Now as to procedure, and an explanation of the mystery of the Prime Minister's statement of last Thursday. I am advised that it is not possible to include in this year's Finance Bill provision for the imposition of taxation in a future year without taking certain special measures. I propose, therefore, as soon as the usual discussion on the other Budget resolutions in Committee have been concluded, to bring before the House a separate Resolution. This Resolution will authorise provision to be made in this year's Finance Bill for giving effect to any Resolution which may be passed in Committee of Ways and Means for imposing a tax on land values to come into operation at a date subsequent to the expiration of the current financial year. If that special Resolution is passed by the House, the next step will be to introduce in Committee of Ways and Means the necessary Resolution authorising the imposition of a tax on land values. That Resolution then, will be debated in Committee and on the Report Stage will be dealt with as one of the ordinary Budget Resolutions.

In introducing the Ways and Means Resolution I shall, of course, make a full exposition of my actual proposals. In view of the additional opportunities

TABLE showing how the Estimated RECEIPTS from Revenue in 1931-32 compare with the corresponding Receipts in 1930-31.
On basis of EXISTING TAXATION.

	Receipts in 1930-31.	Estimate for 1931-32 on Basis of existing Taxation.	Estimate for 1931-32 more (+) or less (-) than Receipts in 1930-31.
ORDINARY REVENUE :	£	£	£
INLAND REVENUE.			
Income Tax	256,047,000	248,000,000	— 8,047,000
Sur-tax	67,830,000	72,000,000	+ 4,170,000
Estate Duties	82,610,000	90,000,000	+ 7,390,000
Stamps	20,650,000	24,000,000	+ 3,350,000
Excess Profits Duty and Corporation Profits Tax	3,000,000	2,200,000	— 800,000
Land Tax, &c.	830,000	800,000	— 30,000
	430,967,000	437,000,000	+ 6,033,000
CUSTOMS AND EXCISE.			
Customs	121,401,000	118,150,000	— 3,251,000
Excise	124,000,000	119,850,000	— 4,150,000
	245,401,000	238,000,000	— 7,401,000
MOTOR VEHICLE DUTY.			
Exchequer Share	4,926,000	5,000,000	+ 74,000
TOTAL RECEIPTS FROM TAXES	681,294,000	680,000,000	— 1,294,000
Post Office (net Receipt)	10,100,000	12,200,000	+ 2,100,000
Crown Lands	1,280,000	1,300,000	+ 20,000
Receipts from Sundry Loans	32,890,000	33,500,000	+ 610,000
Miscellaneous	34,331,000	35,000,000	+ 669,000
Appropriation from Rating Relief Suspense Account	16,000,000	4,000,000	— 12,000,000
TOTAL ORDINARY REVENUE	775,895,000	766,000,000	— 9,895,000
SELF-BALANCING REVENUE :			
Post Office	59,000,000	58,232,000	— 768,000
Road Fund	22,866,000	23,350,000	+ 484,000
TOTAL SELF-BALANCING REVENUE	81,866,000	81,582,000	— 284,000
TOTAL REVENUE £	857,761,000	847,582,000	— 10,179,000

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue :—

ASSOCIATES TO FELLOWS.

COOMES, FREDERICK JAMES (Langton & MacConnal), 22, Lord Street, Liverpool, Practising Accountant.
PINBORN, LEONARD HERBERT FLETCHER (Stanley F. Stephens & Co.), 16 and 17, New Hibernia Chambers, London Bridge, London, S.E.1, Practising Accountant.
RUMBLE, CECIL FREDERICK (Clarkson & Rumble), 16 and 17, Devonshire Square, London, E.C.2, Practising Accountant.

ASSOCIATES.

ACKERLEY, ANNIE, Clerk to Hill & Chapman, 11 and 12, Station Buildings, Altrincham.
CRAWFORD, EMILY, Clerk to Roy Kendall, Park Square Chambers, Leeds.
CURTIS, DAVID, Clerk to Clarke, Dovey & Co., 31, Queen Street, Cardiff.
DALBY, ALEC PETTMAN, Clerk to Lomax, Clements, Gladstone & Co., 12 and 18, Newgate Street, London, E.C.1.
DAVIS, ALFRED, Clerk to Clayton & Potts, 4, South Parade, Leeds.

FARLOW, ARTHUR ROLAND KING, A.C.A. (Martin, Farlow and Co.), 34 and 36, Gresham Street, London, E.C.2, Practising Accountant.

MADDOCK, JOHN, Clerk to Fred Moss, Market Place, Ashton-under-Lyne.

PALMER, CLIFFORD CHARLES, Clerk to Horace Fruin, Warner & Co., 60, Head Street, Colchester.

PEARSON, REGINALD, Clerk to Arthur Hallett & Co., Studio Buildings, Wrexham.

POLLARD, HECTOR HUGO, Clerk to H. W. Pratt, Church Way, Wellingborough.

SPOORS, JOHN ELLIOTT, Victoria Buildings, 21, Grainger Street West, Newcastle-on-Tyne, Practising Accountant.

STEPHENS, STANLEY GORDON TONNSTEIN, Clerk to Stanley F. Stephens & Co., 16 and 17, New Hibernia Chambers, London Bridge, London, S.E.1.

TILLET, FREDERICK REGINALD, A.C.A. (Fitzhugh, Tillett and Co.), Finsbury Pavement House, 120, Moorgate, London, E.C.2, Practising Accountant.

TREEN, LEONARD ROBERT, A.C.A. (Martin, Farlow & Co.), 34 and 36, Gresham Street, London, E.C.2, Practising Accountant.

WAGENER, VOLKER ODHIN WIDAR FRIEDRICH, Clerk to Leith, Freake & Cade, 79, Maitland Street, Bloemfontein, South Africa.

WELCH, LEONARD HARRY, Clerk to E. T. Kemp, 27, London Road, Southampton.

YATES, HENRY, Clerk to Clarke, Clarkson & Howarth, 14, Winckley Square, Preston.

MR. HENRY MORGAN'S SPEECHES.

ABUSES UNDER THE COMPANIES ACTS.

Mr. Henry Morgan, the President of the Society of Incorporated Accountants and Auditors, is one of the few leading business men who not only have something to say but are not afraid to say it. Such men are bound to find themselves in hot water occasionally, but, provided they are sincere and well informed and have a single eye to the public service, they do an incalculable amount of good. We are not always in agreement with Mr. Morgan any more than we are with some other gentlemen whose views on business matters are vigorously and fearlessly expressed, but one could wish there were more like them. At Stoke last week Mr. Morgan referred again to the urgent need for the revision of the Companies Act, in spite of the fact that anyone who ventures to draw attention to some of the deficiencies of the law in this respect puts himself in the position of an angler who raids a wasps' nest for grubs without an adequate smoke screen. Mr. Morgan recalled that a prominent banker recently remarked that some of the chief difficulties of the City of London were due to the incompetence of directors and to the way they ignored their responsibilities and exploited their companies for personal advantage. He reminded his hearers that two years ago Mr. Baldwin said that there had battered on the joint-stock company large numbers of men connected with managements and directorates who were parasitic to industry. Theoretically the remedy lies in the hands of the shareholders, but Mr. Morgan contended that company law at present provides no means for shareholders to exercise their right to replace failures on the board except through the medium of the annual meeting, where difficulties are put in the way of shareholders by methods devised for obstructing opposition. In practice shareholders are seldom able to exercise any influence over the composition of the board, and Mr. Morgan regards the "antiquated and grossly inequitable proxy system" as useless to shareholders as a means of protecting their interests. He advocates an amendment of the law.

One can sympathise with this point of view and yet realise that it is not easy to devise a perfectly satisfactory means of meeting this difficulty without creating others in new directions. The fundamental weakness of the present position is that the law of limited liability is not operating as originally intended. The conception is sound that a number of individuals, each of them unable to finance a prospective enterprise, should be enabled to embark upon it jointly without necessarily staking their whole fortunes on it. Obviously a man might be willing to back a new undertaking to the extent of a few hundreds or thousands and yet not be in a position to devote his time to directing its affairs. He might be content that they should be directed by other shareholders who had the necessary time and qualifications, provided that this vicarious control were subject to annual revision. If the concern prospered he had no complaint; if it failed his loss was limited to the amount of his stake. In theory there is little room for criticism of such a system. But how different is the present practice. Companies are promoted and boards are appointed by individuals who do not necessarily know anything about the technical side of the enterprise undertaken. The capital is subscribed largely by people who know nothing whatever about the business, while many have no intention of keeping in touch with it. They subscribe on the strength of the attractions set out in the prospectus and of the names of the proposed

directors, and in the hope that the shares will go to a premium. Such shareholders are ready to buy or sell the company's stock for their own profit and as their supposed interests dictate; indeed, many of them are not concerned with the business of the company and are interested solely in the fluctuations in the market value of the shares. When they find that their judgment has been at fault and that they are holding shares that have depreciated in value they may "cut their loss" or may try to replace the weak members of the board with better men. There may be a majority of shareholders interested in the company's activities and strong enough to exercise control over the board, or there may not. The weak point is that there is no guarantee that a company will be controlled by an able and qualified board of directors who will concentrate their energies on making its business successful.

Sympathy need not be wasted on speculators who with their eyes open subscribe for the shares and lose their money, but the nation is concerned to protect ill-informed investors who are not familiar with the operation of the system and are induced to invest capital in the mistaken belief that their interests will be safe in the hands of the directors. It is a very serious matter for the community that the public should lose faith in joint-stock enterprise as an investment, and it is no answer at all to say that nowadays everybody knows the risks involved in taking part in such undertakings. We did not hesitate to advocate a change in the law relating to auditors' certificates, not because we had any less faith in the honour of the profession than other people, but because we saw clearly that their position would be strengthened if it were made a legal obligation for them to give certain information that boards might otherwise discountenance. To represent that attitude as a slur on an honourable profession is not only unfair but an evasion of a very important issue in which every business man is directly concerned. Nobody can guarantee that every company will be successful, but it ought not to be beyond the wit of Parliament to devise a means by which every investor in joint-stock enterprise can be guaranteed a square deal. Too many ventures with a fair commercial prospect of proving successful are unable to secure the necessary capital because of widespread suspicion engendered by the frequent revelations of gross incompetence and worse in the conduct of joint-stock enterprises. No honest and competent director has anything to fear from a change in the law with the object of making the way of malefactors more difficult and more dangerous. It is true that business enterprises cannot be nurtured in swaddling clothes under the direction of Government officials, but that is no reason why flagrant abuses should go unchecked. Meanwhile it is clear that the existence of directors who, in Mr. Baldwin's phrase, are parasitic to industry puts a powerful lever into the hands of those who would overturn the present economic system.—*The Times Trade Supplement.*

MR. HENRY MORGAN AND FIXED INTEREST INVESTMENTS.

To the Editors *Incorporated Accountants' Journal.*

SIRS,—From remarks reported in your *Journal*, the President of the Society appears to have sponsored the notion that people living upon investment incomes derived from fixed interest sources, such as War Loan, &c., are unduly favoured by existing currency conditions.

In the present attack by Socialists upon those who by thrift and self-denial have pensioned themselves, such comments are not only unfair but dangerous.

It ought to be sufficiently obvious that during the years succeeding the war, while salaries, wages and payments for services of all kinds have been largely increased by bonuses, or additions to meet the extra cost of living, that those forced to rely upon so-called fixed incomes have had to meet all the heavily increased cost for years, and the intolerable exactions for taxes and rates, without any such addition.

A large number have been drawing only 2½ or 3 per cent. interest, or thereabout, with even now such diminished capital values that realisation is practically ruled out.

It is true that, often at considerable personal sacrifice, money was scraped together to subscribe for War Loan, but, remember, purchased at about double the capital value of existing old securities, and in many cases the additional interest has been the only means of helping them to keep their heads above water under the circumstances.

As a matter of fact it is the people with modest incomes derived from fixed interest sources who have suffered most for years with unduly high prices, and even to-day the cost of living is a considerable percentage over pre-war prices.

It must also be borne in mind that the wage earning classes, of whom only a small number pay income tax, have the full benefit of the extravagant social services which investment income tax payers are bled to provide.

To suggest further sacrifices from investors of this description (generally speaking thrifty people, the very "salt of the earth" financially) means penury and distress with not only no benefit to the country, but greatly the reverse.

My only object in writing is to put the matter in its proper perspective and to protest against the Society's gatherings being made a vehicle for such misleading observations.

Faithfully yours,

H. REGINALD SIBSON.

Hove, Sussex, April, 1931.

[We deal with our correspondent's letter in "Professional Notes."—Eds., I.A.J.]

Chartered Institute of Secretaries.

Country Conference.

The Country Conference of the Chartered Institute of Secretaries is this year to be held at Birmingham on Thursday, Friday and Saturday, May 14th, 15th and 16th. The Conference will open on the morning of May 14th with a paper by Mr. H. H. G. Bennett, F.C.I.S., Secretary of J. Lyons & Co., Limited, on the "Application of Mechanical Processes in Office Organisation." In the afternoon the Lord Mayor of Birmingham will give a civic welcome to the Conference in the Council Chamber, followed by a reception. "Sales Organisation in Overseas Markets" is the subject of a paper which will be read by Mr. Leslie Gamage, a member of the Council of the Institute, on Friday afternoon. In the evening of that day the Conference dinner will take place at the Queen's Hotel, preceded by a reception by the President of the Institute and the President of the local branch. The rest of the time of the Conference will be devoted to excursions and sight seeing, including a visit to the works of Cadbury Brothers, Limited, at Bournville, and a tour of the Shakespeare country.

Obituary.

EDWARD ROPER CURZON CLARKSON.

With deep regret we record that Mr. E. R. C. Clarkson, F.S.A.A., died at Toronto on April 5th last at the age of 78. Mr. Clarkson was one of the pioneers of the accountancy profession in Canada. He was a Life Member and Past President of the Institute of Chartered Accountants of Ontario, of which he had been a member since its foundation in February, 1883, and he was one of the founders of the Dominion Association of Chartered Accountants in 1902. In May, 1905, he became an original member of the Canadian Branch of the Society of Incorporated Accountants, in which he maintained an active interest. He was senior partner in the firm of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, which was founded by his father in 1862, and had become one of the largest and best known accountant firms in Canada. His son, Mr. G. T. Clarkson, who succeeds him as head of the firm, is also a Fellow of the Society, and has for many years been a member of the Canadian Committee.

The funeral took place on April 7th. Mr. Henry Barber, J.P., F.S.A.A., a member of the Canadian Committee, kindly represented the Society and sent some flowers on behalf of the President and Council.

WILLIAM THOMAS GRAHAM.

The death is announced of Mr. William Thomas Graham, a Fellow of the Society, formerly practising in Belfast. Mr. Graham had closely identified himself with the work of the Irish Branch of the Society, and became Vice-President of the Belfast District Society of Incorporated Accountants on its formation in 1913, being subsequently elected to the Presidency for the period 1919-1920.

The following resolution was adopted at a meeting of the Committee of the Society of Incorporated Accountants in Ireland on April 23rd, 1931:—"That the members of the Committee of the Irish Branch of the Society of Incorporated Accountants and Auditors have learned with deep regret of the death of Mr. William Thomas Graham, whose membership of the Society dated from the year 1903, and who was closely associated with the Irish Branch as a member of its Committee from 1907 to 1924."

JOHN WALTER HACKER.

We have received with regret news of the death of Colonel John Walter Hacker, J.P., F.S.A.A. Colonel Hacker was admitted a Fellow of the Society in Australia in 1911, and a member of the Victorian Committee in 1912. During the years 1914 and 1915 he held the position of President of the Victorian Division of the Society. In that capacity he visited England and was received by the Council in November, 1914. Shortly afterwards he was called upon by the Australian Government to undertake military duties, but he returned to Australia after an illness at the end of 1916. For some years Colonel Hacker was Chief Accountant of the Victorian Railways.

EDWARD HARLOW.

By the death of Alderman Edward Harlow, J.P., F.S.A.A., of the firm of Messrs. Edward Harlow & Co., Nottingham, that city has lost one of its valued public servants, and the Society of Incorporated Accountants has been deprived of one of their representative and public spirited members. Mr. Edward Harlow was the son of the late Mr. Thomas Harlow, Accountant, of Burton-on-Trent, and was born on May 18th, 1857. He was admitted to the membership of the Society in 1896 and was also an Associate of the Institute of Bankers and a Vice-President of the Nottingham District Society of Incorporated

Accountants. When a young man he occupied the post of Lecturer in Book-keeping and Commercial Law at Nottingham University College, and he was also the author of several works on book-keeping. In addition to his practice as an Incorporated Accountant he held several important directorships. In his time Alderman Harlow fought many municipal contests and was active in other matters in Nottingham and district. He was much esteemed in his professional, public and private life and he will be greatly missed in many directions.

PROCEDURE FOR THE EXAMINATION OF JUDGMENT DEBTORS.

The Parliamentary and Commercial Law Committee of the London Chamber of Commerce have recently had under consideration a defect in the procedure for the examination of judgment debtors. It is appreciated that this procedure is very useful, because it enables a creditor to question the judgment debtor as to his means, but in practice it is very lengthy. Sufficient time frequently elapses between the dates of the application for permission to examine the debtor and the actual examination to permit the judgment debtor to make away with assets. It is felt that the procedure would be of greater utility if it were made more elastic and more analogous to the procedure in examination in bankruptcy.

The Council of the London Chamber have accordingly brought this defect in the procedure to the notice of the Lord Chancellor, asking him to consider whether an arrangement could be made whereby applications of this nature could be expedited.

The following recommendations suggested by the Parliamentary and Commercial Law Committee of the Chamber, as to improvements in the procedure and the manner in which they might be carried out, have at the same time been submitted:—

1. That the order for examination should be made *ex parte*, and that a warning should be endorsed upon the order or copy thereof served upon the debtor that he must not attempt to part with any assets pending the examination, except in the ordinary course of business, and if he does he will be liable to committal.
2. That the official taking the examination have power during or at the conclusion of the examination to order the attendance of any other person from whom it would appear information as to the debtor's assets can be obtained, in accordance with the wording of Order 32, Rule 32, notwithstanding the ruling in *Irwell v. Eden* to the contrary effect.
3. Empower the official conducting the examination to refer to the Judge forthwith any question which the debtor or other persons examined refuse to answer, with power for the Judge to order committal unless the question is answered at the adjourned hearing of the examination; giving the Master power to commit at such adjournment if the debtor or other person still refuses to answer such questions, subject to appeal by the debtor.
4. Give power to the official taking the examination to make orders for payment of the debt by instalments, subject to an appeal by either party to the Judge.
5. That the official taking the examination, or the Master giving the order, must give the creditor costs incurred unless the Master or official has good reasons for depriving the creditor of such costs, and certifying such reasons.
6. That the party requiring the examination shall be entitled to have a shorthand note of the examination taken by him at his expense, but that the examining official shall have discretion to add the costs of such shorthand note to the costs of judgment if he thinks fit.

South Wales and Monmouthshire District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the South Wales and Monmouthshire District Society of Incorporated Accountants is always representative of every aspect of civic, professional and business life in the area of its activities. This year's function was held in the Park Hotel, Cardiff, on April 17th. Mr. W. J. PALLOT (President) was in the chair, and the guests included:—The Lord Mayor of Cardiff (Alderman R. G. Hill Snook, J.P.), the Lady Mayoress of Cardiff (Mrs. Gerard Geen), the Mayor of Newport (Councillor Thomas Crowther, J.P.), the Mayoress of Newport, the Mayor of Merthyr (Councillor John Williams, J.P.), the Mayoress of Merthyr (Mrs. John Williams), Mr. Morgan Jones, M.P. (Parliamentary Secretary, Board of Education), Sir Lewis Lougher, J.P. (High Sheriff of Glamorgan), Colonel John Evans, D.S.O., D.L., J.P. (High Sheriff of Monmouthshire), Mr. Henry Morgan (President, Society of Incorporated Accountants), Mr. J. E. Emlyn Jones (President, Cardiff and Bristol Channel Shipowners' Association), Mr. Cecil G. Brown, LL.B. (Town Clerk of Cardiff), Mr. D. Rupert Phillips (President, Cardiff Chamber of Commerce), Sir James German, Mr. John Rowland, M.V.O. (Chairman, Welsh Board of Health), Mr. W. H. Pethybridge (President, Cardiff Incorporated Law Society), Mr. R. J. Auckland (President, South Wales and Monmouthshire Chartered Institute of Secretaries), Alderman Sir Iltyd Thomas, J.P., Sir William Seager, D.L., Colonel D. Watts Morgan, C.B.E., M.P., Mr. J. W. Kinsman (President, South Wales and Monmouthshire Society of Chartered Accountants), Mr. C. Ernest Smith (President, Newport Chamber of Commerce), Mr. Llewellyn Francis (President, Cardiff Chamber of Trade), Mr. J. J. E. Biggs, M.D., Mr. A. W. Heard (Chairman, British Association of Shipping and Forwarding Agents), Mr. James Paterson (Secretary, Scottish Branch, Member of Parent Council), Mr. Thomas Mills (President, Swansea and South West Wales District Society), Mr. C. E. Dolby (President, Liverpool and District Society), Mr. Alex. Hannah (Hon. Secretary, Liverpool and District Society), Mr. R. Wilson Bartlett, J.P. (Member of Parent Council), Mr. R. J. Rimell (Hon. Secretary, South Wales and Monmouthshire Chartered Institute of Secretaries), Mr. D. J. A. Brown (Registrar, University College, Cardiff), Mr. D. B. Anthony (Registrar, University of Wales), Mr. D. W. Oates, M.A. (Head Master, Newport Secondary School), Mr. T. A. Isaacs (President, Cardiff Rotary Club), Mr. G. R. Bennett, B.Sc. (Principal, Newport Technical College), Mr. A. E. Pugh (Secretary, Newport Chamber of Commerce), Mr. John Roberts, M.A. (Headmaster, Cardiff High School), Mr. C. F. Scott, M.A. (Headmaster, Monmouth Grammar School), Mr. T. E. Stevens (President, Cardiff Insurance Institute), Mr. E. Charles Jones (Borough Coroner, Newport), Mr. Ernest E. Edwards (Assistant Parliamentary Secretary, Parent Society), Mr. J. N. Smith (Hon. Secretary, Institute of Municipal Treasurers), Mr. C. Gordon Jolliffe (Hon. Secretary, South Wales and Monmouthshire Society of Chartered Accountants), Mr. Norman J. T. Moses (Borough Treasurer, Newport), Mr. A. E. Piggott (Hon. Secretary, Manchester and District Society; Member of Parent Council), Mr. V. S. Forster (Vice-President, West of England District Society), Mr. F. A. Webber (Hon. Secretary, West of England District Society), Mr. W. H. Charles (Vice-President, Swansea and South-West Wales

District Society), Mr. T. O. Morgan (Hon. Secretary, Swansea and South-West Wales District Society), Mr. A. W. L. Sleeman (Hon. Treasurer, Swansea and South-West Wales District Society), Mr. J. C. Fay (Secretary, Students' Society of London), Mr. Norman E. Lamb (Vice-President, South Wales and Monmouthshire District Society), Mr. Percy H. Walker (Past President and Hon. Secretary, South Wales and Monmouthshire District Society), Mr. J. D. Simpson (Assistant Hon. Secretary, South Wales and Monmouthshire District Society).

Mr. NORMAN E. LAMB (Vice-President of the District Society), proposing the toast of "Our Civic Governors," said that only those in close touch with local government could form a true conception of the magnitude of the problems involved. There was ample room for the education of the general public in the tasks of local government, and he personally was all in favour of a greater part being played by the schools in teaching the younger generation the fundamentals not only of citizenship, but also of local government. Since they in South Wales boasted of civic governors second to none in the kingdom they should do all they could to cultivate civic pride. In those days of stress the civic governors were faced with a cry for economy accompanied with a demand for an extension of the services rendered by the local authority, and it was up to the general public to support them in their task of drawing the dividing line between the ideal and the practicable.

The LORD MAYOR OF CARDIFF (Alderman R. G. Hill Snook), responding, said that he had been hardened to the nice things that were said about civic governors at annual dinners, but he did believe that the civic governors were exactly what the ratepayers chose, and if some of them were not fitted for their jobs as administrators then the fault belonged to the electors. At the same time he was sure that the Cardiff City Council would compare favourably with the civic governors in any part of the country, and in proof of that he could tell them that over a morning coffee it had been decided that if the city aldermen were made into the Cabinet and the councillors elected as the government they would quickly solve those problems with which Westminster had found it so difficult to cope.

The MAYOR OF NEWPORT (Councillor Thos. Crowther) also responded. He said he had learned with pain that the principal task of the accountants of South Wales at the moment seemed to be to act as receivers to companies in difficulties. That was wrong. He wanted to see the accountants auditing the books of prosperous companies. (Hear, hear.) In South Wales they were not getting a square deal chiefly because of the ineptitude of those people who had pinned their faith absolutely to steel, coal, iron and shipping in the past. If they imagined that in these modern times they could carry on with only a few industries they were living in a fool's paradise. New industries must be attracted. They had all the advantages of cheap land, excellent transport, coal at their back doors and the seaboard on the front door step, and it was up to accountants who were so often consulted by firms in search of sites for development to emphasise the advantages that South Wales offered to industries.

Mr. MORGAN JONES, M.P. (Parliamentary Secretary to the Board of Education), proposing the "Society of Incorporated Accountants and Auditors," said that in looking up some particulars of the Society he had noticed that its motto was a most apt one. It was true it was printed in Latin, but its implication was obvious to the most uninitiated. He could not imagine a more appropriate motto for an organisation discharging the responsibilities to the community that the Society of Incorporated Accountants discharged than "Faith and

Integrity." It was a correct summary of the part which their profession played in the modern world. The modern condition of life was one of great and increasing complexity. The individual was so obsessed with his own particular tasks that he had little time for the larger problems of society itself. The consequence was that the individual had to fall back in an increasing degree upon the services of a body of men upon whom he could rely to guarantee to him that the various functions involved in modern life were performed on the basis of Faith and Integrity. In the sphere of government the political system depended in the ultimate upon the consciousness which the individual citizens must entertain that the functions of government were being discharged upon that very basis of Faith and Integrity. In the economic sphere he ventured to express the opinion that they were coming to realise more and more, and would do so increasingly in the coming years, that efficient accountancy was the guarantee that modern trade, business and commerce also was conducted on the basis of good Faith and Integrity. He had often envied and stood in fear and trepidation of the accountants who discharged so many functions. They were lawyers in matters of financial import, they were doctors in that they often had to administer sedatives in the days of immaturity, they were judges in that they often had to act as arbitrators in matters where ordinary mortals and members of Parliament feared to tread, and they were magistrates in that they vigorously and with virtue and courage exposed fraud and misconduct wherever it might be found; while, finally, they came in after the ordinary individual had been placed in his coffin, and cleared up the mess that he had left behind. What other body of men discharged such an agglomeration of responsibilities? He was not exaggerating in the slightest degree when he said that modern business, commerce and industry, becoming ever more and more complex, tended more and more to secure the services of the people who were complete masters of the most mysterious science of finance. Even the politician in the storm ran to the accountant for security. There had recently been passed a Local Government Act, and Members of Parliament had agreed that in order to understand the legislation they were so busily engaged in passing they had better invite someone to meet them who could tell them what it meant. For weeks on end the Committee Rooms of the House of Commons were filled by men and women of all parties anxious to understand the implications of the famous formule. In their difficulties the advice they got from leading accountants in England and Wales contributed in no small measure to the grasp of Members of Parliament on that most complex piece of legislation. That experience had reinforced the impression he had brought from his local governing days of the increasing degree in which the public depended upon the capacity of permanent officials who were retained on account of their special training and equipment to help forward the technical side of the work of national and local government. The work which accountants were discharging in that connection must grow with the passing years. Accountancy was going to grow in importance and significance, and for that reason, speaking as an educationalist, he appealed that the area of recruitment for the profession should be kept as broad as possible. It would be a great disappointment if the educational system proved inadequate as a reservoir of recruits not only for that profession, but also for the other professions which were becoming of increasing importance in modern life.

Mr. HENRY MORGAN (President of the Parent Society), responding, recalled that that was the fourth year that he

had attended the annual dinner of the South Wales and Monmouthshire Society. He was grateful to Mr. Morgan Jones not only for having proposed the toast but for the eloquent terms in which he had expressed it, and for the generous tributes he had paid both to their profession and to the Society. The fact that Mr. Morgan Jones had devoted so much of his life to education rendered him particularly suitable to propose the toast of a Society which concentrated so much of its energies on the assurance that its members received not only the highest possible professional training and educational and examination tests, but that they had also attained matriculation standard in general education. Year by year the annual dinner of the District Society grew more important and more successful, and it afforded ample evidence of the continued progress of their Society in South Wales and Monmouthshire. Their members were constantly and rapidly increasing in numbers and the energy displayed by the District President, the Secretary and Committee contributed materially to the advantage of their Society and their members in that important industrial part of the country. Unfortunately, that district, in common with other important industrial areas, was suffering acutely, and a large number of its working population was unemployed. Yet South Wales managed to keep a cheery face. That applied especially to their own members who had the temerity to fix their annual dinner for the middle of April, a period either just before or just after the introduction of the Budget. It was impossible for any important industrial area not to be under the shadow of that ominous event, especially in a year in which the deficit that had to be faced would be between 40 and 50 million pounds. Most of them were speculating on the manner in which additional revenue would be raised and whether or not the Chancellor of the Exchequer would increase the rates of income and sur tax. Incorporated Accountants were wondering what new complications might be introduced to bewilder the taxpayer and increase his dependence on their profession. Some time ago a highly placed official of the Inland Revenue had said to him that were it not for the services rendered by Chartered and Incorporated Accountants it would be impossible for the Revenue to devise methods for the working of the taxation machinery. He was able to testify to the excellent relations which existed between the Incorporated Accountants and the Inland Revenue officials in connection with the adjustment and settlement of income tax matters, and it redounded to the credit of both sides, having regard to the difficult and complicated nature of income tax work and the heavy responsibilities which were involved. From time to time prominence was given in the Press to reports of fraudulent evasion of income tax, but such cases constituted a negligible percentage of the whole. Generally, the Income Tax Acts were fairly administered by the Revenue officials and reliance was placed on Chartered and Incorporated Accountants to safeguard the interests of their clients, as the Lord Mayor had clearly indicated in his speech that night. The complaints of which they heard so frequently were chiefly due to the Income Tax Acts themselves, which contained provisions that were grossly inequitable. In his opinion steps should be taken to rectify the Income Tax Acts in those respects, because they engendered feelings of hardship and injustice which should be avoided, especially at a time when taxation was such a heavy burden. Some years before, when super tax rates were materially increased, there was a very great avoidance of tax by the method—perfectly legal—of converting businesses into private companies. That practice was increasing rapidly. Super tax was assessed only on such

parts of the profits of those companies as the proprietors chose to distribute in dividends, and it was possible by drawing out profits in the form of advances to the proprietors and by making investments in the name of the company to avoid tax on a large part of the profits that were earned. The 1922 and 1927 Acts contained a provision to prevent that avoidance of tax through the medium of the private company, and it was enacted that where a private company did not distribute a reasonable amount of its profits the proprietors could be assessed on the whole of the profits earned on the same basis as a private firm. The indefiniteness of those clauses could not be too strongly condemned. What was the reasonable part of the profits to be distributed was capable of a wide difference of opinion, and must vary according to the conditions from time to time. The proprietors of a private company might therefore find themselves in the difficult and unfair position that if they were too conservative they might find themselves liable for sur-tax not only upon the reasonable part of their profits which they should distribute, but upon the whole of the profits without any allowance for such reserves as were proper, prudent and frequently necessary. But, consider the position of a private firm as compared with a private company. The profits of the latter before assessment to sur tax were subject to allowances that might be proper and necessary. The course of the last few years and the conditions at the present time had shown that that concession was vitally necessary. Quite properly the term "reasonable" was liberally construed in favour of the taxpayer. In the case of the private firm the necessity for reserves was quite as vital as in the case of the private company, for there were few businesses which would stand the withdrawal of the whole of the profits as assessed for income tax. Yet the private firm, so far as sur tax was concerned, received no allowances whatever for reserves, however proper and necessary they might be. He ventured to suggest to Mr. Morgan Jones that he should make representations in the proper quarters and that the next Finance Act should provide that a private firm or trader should not be treated less favourably than the private company. (Hear, hear.) Recent Finance Acts contained provisions quite rightly and properly devised to prevent the avoidance of taxation, but which were found to have a wider scope than was originally intended or even than it was right and proper that they should have. As most of those provisions were connected with sur tax and as it was possible—judging by the rumours which were floating about—that there might be an increase in the rates or a lowering of the limits of sur tax, he considered that it was really necessary that the Acts should be amended in those respects so as to remove what were real grounds for feelings of hardship and injustice on the part of certain classes of taxpayers.

The PRESIDENT then presented the following Honours Certificates won at the Society's examinations:—Mr. Noel Cliffe, Second place in the Intermediate examination, November, 1930; Mr. E. J. Wade, First place in the Preliminary examination, May, 1930. The Fourth place in the Intermediate examination, November, 1930, had been won by Mr. John Ewart, who, unfortunately, was unable to be present to receive his certificate.

The prizes in the Prize Essay Scheme, organised by the Cardiff students, were also distributed by the President to the following successful students:—First prize, Mr. Noel Cliffe; Second prize, Mr. Harold C. Hopkin; best contribution to discussions, Mr. E. V. C. Nicholls.

A similar Prize Essay Scheme had been organised by the Newport students, but the prizes had not yet been awarded.

Mr. PERCY WALKER (Past President of the District Society), proposing the toast of "Trade, Commerce and Industry," said that when first entrusted with that duty he had wondered whether he had to pronounce the obsequies on South Wales trade, commerce and industry. There was no doubt that they were passing through very depressed times, but he feared that there was too great a tendency to blame the workers and the unfortunate trade disputes of the past years for the position in which they found themselves and for the uncertainty on the part of Continental and foreign buyers which was such a factor in trade depression in South Wales. A certain amount of the blame for the position lay at the door of employers who were attempting to tackle post-war problems with pre-war minds. The prosperity of South Wales for many years to come must be linked up with the fortunes of the coal trade, and in that connection the discussion which had been going on locally with regard to the suggested return to coal burning in place of oil burning by the Navy was of vital importance to the whole of South Wales. If that return could be made, if shipowners when ordering new tonnage would insist on coal burning engines, and if a pool could be formed to ensure the scrapping of replaced tonnage instead of its sale to foreigners for use in competition with British shipowners, and if further, as Professor George Knox suggested, the extraction of oil and petrol from coal was a marketable proposition, then indeed it would look as though brighter days were in store for the depressed industries of South Wales.

Mr. J. E. EMLYN JONES (President, Bristol Channel Shipowners' Association), responding, said that he noted Mr. Walker's remark that he trusted that in ordering new tonnage the shipowners would stick to coal burning. He did not know of any Cardiff shipowners who would be ordering new tonnage for some time to come, but some years ago they were patriotic enough to lay down new keels with the result that Cardiff was the largest tramp steamer owning port in the world, and practically the whole of Cardiff's 2,000,000 tons of shipping was coal burning. Now that an agitation had been started on the relative merits of coal *versus* oil they were hoping that King Coal would come into his own once more. All branches of trade and commerce were deeply interested. They did not desire that coal should take the place of oil if it could be proved beyond cavil that oil possessed any strategic advantage. But that had to be proved beyond a shadow of doubt, and unless they had absolute proof of the need for oil they felt that it was a national duty that the Navy should go back to coal. But the country could still afford to smile, even during the economic blizzard which had devastated it during the past few years, for if Britain had been hard hit, other nations seemed to have fared even worse. The year 1930 would go down in history as the worst year in the annals of world trade and commerce, yet in that black year the trade returns of Britain showed a credit balance of 39 million pounds. It was well to proclaim that fact in order to help to get rid of the paralysing effect of the psychology of defeat. Though the present was not a time for ineradicable pessimism or fatuous optimism, it was essentially a time for that spirit of optimism which saw opportunity in every difficulty. There was a tendency to look at the problems too much through the spectacles of political prejudice, and for once he agreed with Mr. Winston Churchill that a strong argument could be made out for dealing with trade and industry and commerce through an economic Parliament, where men and women recruited from all sections of the community, and free from the devastating influence of having to keep one eye on the constituencies and the other on Parliament, could try and

come to grips with some of the economic realities of the moment. The time had come for drastic reconstruction.

The PRESIDENT (Mr. W. J. Pallot), in proposing "Our Visitors," regretted that the lateness of the hour prevented him from delivering the speech he had prepared for that toast, and contented himself with welcoming, in particular, the ladies and in hoping that all their guests had enjoyed themselves.

Mr. C. ERNEST SMITH (President, Newport Chamber of Commerce), speaking for the guests, said they had had a wonderful time. If they were to prepare a balance sheet of the event there would be a splendid credit balance of goodwill.

Mr. J. W. KINSMAN, F.C.A. (President, South Wales and Monmouthshire District Society of Chartered Accountants), also responding, confessed that it was only the lateness of the hour that restrained him from delivering a particularly lengthy speech that he had prepared. (Laughter.) They had had a feast of good things and Mr. Emllyn Jones had given them something to think about, with the assurance that each one could play a part in bringing back prosperity.

Changes and Removals.

Messrs. Martin, Farlow & Co., Incorporated Accountants, 34 and 36, Gresham Street, London, announce the retirement from the firm of Sir James Martin and Mr. A. R. King Farlow; also that they have admitted as partners Mr. W. G. Strachan, Mr. Roland King Farlow and Mr. Leonard R. Treen. The title of the firm will remain unchanged, and the retiring partners, while ceasing to take an active part in the practice, will be available in a consultative capacity. Mr. L. Gerard Norton is also leaving the firm in order to take up an important commercial appointment.

Messrs. Allan, Charlesworth & Co., Chartered Accountants, have removed their Cambridge office to 28, Sidney Street.

Mr. John A. Beggs, Incorporated Accountant, has commenced public practice at 35, South John Street, Liverpool.

Messrs. A. S. & A. E. Evershed, Incorporated Accountants, have removed their offices to Sundial House, 49 and 50, High Street, Guildford.

Mr. B. E. Kumana, Incorporated Accountant, has commenced public practice at 121, Esplanade Road, Bombay.

Mr. Henry Pell, practicing at 63a, Prince's Street, Stockport, announces that he has taken Mr. Frank Pell into partnership. The practice will be continued under the style of Henry Pell & Co., Incorporated Accountants.

Mr. J. H. G. Peterken, Incorporated Accountant, has removed his office to 13, Fish Street Hill, London, E.C.

Mr. W. G. Stephens, Incorporated Accountant, has commenced public practice at 25, Warwick Road, Clapton, and 10, Coleman Street, London, E.C.

Messrs. J. Summerskill & Son announce a change of address to 1, Temple Court, Victoria Street, Liverpool.

Messrs. Tulk, Bell & Neaves, Tower Chambers, 30, Spring Gardens, Manchester, announce that the name of the firm has been changed to Neaves, Bell & Co., the partners being Mr. G. A. Neaves, Incorporated Accountant, and Mr. V. A. Bell, Incorporated Accountant.

Income Tax in Northern Ireland.

A LECTURE delivered before the Belfast District Society by

MR. A. E. SILVESTER,
Senior Inspector of Taxes, Northern Ireland.

MR. SILVESTER said: This short paper does not aim at being an exhaustive review, historical or otherwise, of Income Tax law and practice in Northern Ireland. The intention is to refer briefly to the legal provisions in regard to the administration of the tax in Northern Ireland and to a number of administrative and technical points that are specially applicable or of particular interest in Northern Ireland.

Any views expressed in the course of the paper are entirely my own, and should not be taken as representing official opinion.

When the income tax was extended to Ireland in 1853, it was provided that its administration should be centralised in the Board of Inland Revenue instead of operating through local bodies of Commissioners of Taxes, as in Great Britain. There were also a number of variations from normal procedure made to meet Irish conditions. The special provisions relating to Ireland, contained in the Income Tax Act of 1853, are still operative, and are at present contained in Part IX of the Income Tax Act, 1918.

It is common knowledge that in Great Britain the activities of the Inspector of Taxes in relation to the assessment of income tax have become much more important in practice than they would appear to be in legal theory, as embodied in the Income Tax Act of 1853 and its predecessors, and the actual difference in the machinery in the two countries is much less obvious in 1930 than it would have been fifty or sixty years ago. Nevertheless, the statutory position remains quite distinct, and there may be some interest in drawing a comparison between Northern Ireland and Great Britain.

The first point of difference between the two countries, in considering the year's round of duties, is that the assessor, the local official in England to whom the law looks for information as to the taxable capacity of the residents in his parish, and who, until 1928, was legally responsible for delivering forms of return, does not exist in Ireland. His duties are performed by the Inspector. (Here it may be interpolated that I am using "inspector," the present familiar term, throughout this paper where "surveyor," which is still retained as the legal term, is used in the Acts.)

As regards the making of assessments, the Inspector, who, in Great Britain, signs only additional assessments under Schedules A, B and E (the assessor signing the first assessments under these schedules) is, in Ireland, charged with the statutory duty performed by "Additional Commissioners" in Great Britain of making assessments under Schedule D.

This greater statutory responsibility, although it may make little difference in practice in the relations between the Department and the accountancy profession, is perhaps an additional reason why accountants should be ready to furnish all reasonable evidence to the Inspector before an assessment is made.

Coming next to the appeal provisions, sect. 189 provides that appeals should be heard by the Special Commissioners. In Great Britain there is an option, and appellants may choose to take their appeals either before the local tribunal or before the Special Commissioners. There is, of course, a local tribunal in Ireland, viz, the County

Court Judge, or Recorder. Instead, however, of the option existing, in the first place, the taxpayer has the right, after "trying his luck" before the Special Commissioners, of expunging the whole proceedings and of having the case heard *de novo* by the County Court Judge, or Recorder (sect. 196). Sometimes the fact that the proceedings before the Recorder constitute a re-hearing of the appeal tends to be overlooked. In practice, the point may not be serious, but it should not be forgotten that the Recorder is at liberty, say, to confirm an assessment which the Special Commissioners had proposed to reduce, or to determine a legal point against the taxpayer which the Commissioners had decided otherwise. Both sides, in view of the position, have full liberty to bring forward any fresh evidence or new witnesses, or in any way to deal with the matter without any reference to what may have happened before the Commissioners.

It is hardly necessary to mention that, both as to fact and as to law, the decision of the County Court Judge, or Recorder, is final, whether favourable or adverse to the appellant.

The jurisdiction of the Recorder does not extend to all cases for which the Special Commissioners are the Court of First Instance. "Applications" (e.g., Rule 6, Schedule D, and sect. 34 of the Act of 1918) are not open to review. The position in regard to these is therefore the same as in England, where it has been decided (*Bruce v. Burton*, *Grimes v. Lethem*, and *Furtado v. City of London Brewery Company*) that a case cannot be stated on such applications for the decision of the High Court.

The position in regard to sect. 33 of the 1926 Act appears to be different, however, from that in the case of a sect. 34 claim. No tribunal is specially mentioned in that section as the proper authority to determine any claim, nor is there any time laid down when the claim should be put forward. The inference seems to be that the assessment against which it is claimed to set off the loss is to be the subject of any appeal (as it would be in the case of a set off claimed under Rule 13, Cases 1 and 2, Schedule D). Such an appeal, of course, would be open to a re-hearing by the Recorder.

In reading Part IX of the Act of 1918 it should not be forgotten that the special provisions contained therein are not by any means a full story of the administration of the Income Tax in Northern Ireland, and that, as stated in sect. 186, the general provisions of the Act have effect, so far as they are applicable consistently with the special provisions. In this connection attention might be drawn to sect. 190, which, in fact, elucidates some of the special provisions by reference to the corresponding general provisions.

Here I should like to suggest that two points are worth bearing in mind. The first is that any question arising on the wording of the Act of 1918 is sometimes more easily answered by reference to the wording in the section of the earlier Act from which it was derived; the second is that a knowledge of the powers of Commissioners in England is necessary to an understanding of the special provisions in regard to Ireland. The following illustrations will perhaps make clear what I mean:—

1. Sect. 189 says that assessments under Schedule D shall be made by Inspectors. I have been asked when an assessment is "made," particularly in regard to additional assessments under sect. 125. The question might seem one on which there could not be much doubt, but for the fact that the similar wording used in regard to Additional Commissioners in England has not prevented its being argued in the Courts (in the case of *Pickford v. Quirke* (18 T.C., 251)) that an assessment was not well and truly

made merely by being signed by the Additional Commissioners. On consideration of the wording of sects. 189 and 190 it is clear that the corresponding position in Ireland is that an assessment signed by the Inspector within the proper time limit has been properly "made," although the issue of a notice of assessment and the signature by the Special Commissioners may both take place at some date outside of the time limit.

2. Sect. 190 (1), which deals with the recovery by the Collector, by distress, from the person charged or otherwise, appears, on a hasty reading, to give the Revenue a power of recovery in England from an existing occupier of arrears of tax due from any previous owner or occupier. There was, however, in sect. 35 of the Act of 1853 (reproduced as Rule 3 of No. VII in the Act of 1918) a proviso to the effect that nothing in the Acts shall authorise the levying upon an occupier for the time being any arrear of duty under Schedule A or Schedule B which ought to have been levied upon and ultimately paid and borne by a former occupier. If sects. 17 and 35 of the Act of 1853 are read together there is, I think, less temptation to assume the existence of exceptional powers in Ireland than there is in reading the corresponding sect. 190 and Rule 3 of No. VII, Schedule A, of the Act of 1918. In the Irish Free State the point has been dealt with in the Courts in the cases, first, of *Dolan v. Joyce*, which dealt with Schedule B in the Free State Supreme Court, and subsequently in the case of *Kiernan v. Farrelly*, in which the Supreme Court judgment was followed as regards Schedule A.

I should like now to offer a few comments on a section which, although like the others discussed up to the present, is administrative, is of rather special interest in that it places the fate of the taxpayer, as regards his liability to Income Tax, Schedule A, in the hands of a body that is not otherwise associated with the administration of the Income Tax in any way, viz, the Commissioners of Valuation.

I refer, of course, to sect. 187, which provides that the annual value for Income Tax in Northern Ireland shall not be determined by an *ad hoc* valuation, as in England, but shall follow the Poor Law Valuation. The adoption of the Poor Rate Valuation for Income Tax purposes followed the passing of the Valuation (Ireland) Act, 1852, which fixed the principles upon which the annual values of properties in Ireland were to be estimated. Under that Act land was to be valued with reference to the prices of agricultural produce as set out in the Act, but houses and buildings were to be valued "upon an estimate of the net annual value thereof; that is to say, the rent for which, one year with another, the same might in its actual state be reasonably expected to let from year to year, the probable average annual cost of repairs, insurance and other expenses (if any) necessary to maintain the hereditament in its actual state, and all rates, taxes and public charges, if any (except tithe rentcharge) being paid by the tenant": a rule which, of course, should give a result identical with the full rental value for assessment under No. 1 Schedule A, in England, except for the deduction of an allowance for repairs. (It is a curious anomaly, on which I have no time to dwell, that the statutory deduction for repairs subsequently applied to property in Great Britain was made equally applicable in Ireland, although under the definition above the valuation in Ireland was a net figure after giving effect to a deduction for repairs.)

The Valuation (Ireland) Amendment Act, 1854, contained provisions for keeping the valuation up to date. Whether those provisions have been effectively applied is another question that I do not propose to pursue.

The section, as it stands at present, embodies the alternatives, as the annual value for Schedule B, introduced when the liability under that schedule was greatly increased by the second Finance Act of 1915.

The principal remaining features of sect. 187 are the following:—

- (a) The landlord or immediate lessor is primarily responsible for the payment of Income Tax under Schedule A, and not as in Great Britain, the occupier.
- (b) When the Poor Law Valuation exceeds the rent payable to the landlord, the tenant's "beneficial interest" is separately assessable.

This means, in practice, that in the majority of cases to which the provision has applied, i.e., agricultural holdings held on judicial tenancies, the landlord is assessed on the actual rent and there is no further liability (the tenant being exempt).

- (c) The landlord of properties in Government occupation, or exempt for any other reason from being rated to poor rates, is assessed on the full amount of his rent. (He is charged poor rate—in practice—at the full rate on half his rent, though strictly at half the poundage on the full rent.)

The Finance Acts passed since 1918 contain only three items specially applicable to Northern Ireland:—

- (1) Sect. 28, F.A. 1922, which exempts from tax the interest on Ulster Savings Certificates (to the same extent as in the case of National Savings Certificates), provided that the holders are *resident and domiciled* in Northern Ireland. It is perhaps not generally appreciated that the title to exemption is lost by a change of residence to Great Britain.

- (2) Sect. 24, Finance Act, 1926, provides for the deduction of tax at the source, and the assessment under Schedule C of interest on Northern Ireland Government loans which, under the Schedule C rules as they stood, could not have been so dealt with.

- (3) Sect. 22, F.A. 1928, provides for recovery by summary proceedings, as in Great Britain.

An important Act, from the point of view of local interest, on account of the large number of people in Northern Ireland who have income arising in the Irish Free State, was the Finance Act of 1926. That Act, of course, contained a number of sections of great interest to all taxpayers, but I wish only to refer to the adoption by sect. 23 of the double income tax agreement set out in the second schedule to the Act, which brought to an end the troublesome state of affairs that had existed for taxpayers with Irish Free State income for the three years 1923-24 to 1925-26. The general provisions of the agreement are no doubt familiar to all of you. I will refer only to a few points that I have found have been not quite clearly understood at times:—

Double Residents.—A double resident is, of course, assessable in both countries, with relief in this country under sect. 27, 1920, and with a similar relief in the Irish Free State. At first one is inclined to think of the double residence provisions as confined to the case of the taxpayer with a residence in both countries at the same time. In practice, however, a large number of the cases that arise are persons who remove from one country to the other during the year of assessment and are necessarily subject to the double residence procedure (e.g., bank managers and teachers).

Modifications of the Acts.—The computation of the liability in respect of Free State income proceeds as if the income arose here, and there is a special provision for the assessment of property owned and occupied in

the Irish Free State, under which the Poor Law Valuation there is the basis of assessment.

With regard to this, I have found that the position is not always clearly appreciated, e.g., take the case of a farm owned and occupied in the Irish Free State; the Case 5 assessments are equal to the amounts of the A and B assessments in the Irish Free State (or what would be those assessments if there were any), including the alternatives as to judicial rent, &c., for Schedule B, set out in sect. 187. The position is the same in regard to this liability, whether the assessee is a double resident or not, but the relief equivalent to (say) Rule 6, or sect. 34, which may be claimed from the Case 5 assessments does not automatically follow (in double resident cases) from their admission in the Irish Free State.

The original assessments in the Free State fix the assessments in Great Britain or Northern Ireland, but any adjustment of the assessments as the result of a special claim to relief is a matter that must be independently pursued in both countries. It is unlikely, in practice, of course, that there would be much difficulty in achieving the same result with the same evidence in both countries, but the legal position appears to me at times to need emphasis.

The necessity for assessing the value of property owned and occupied in the Free State under Case 5 in this country carries, as a corollary, the inapplicability, in the case of Irish Free State assessments, of the prohibition in Rule 5 (2), Cases 1 and 2, of the deduction of the annual value of premises abroad.

Simplification.—One of the most interesting features of the Finance Act of 1927 was the substitution of returns of total income for returns under separate schedules, and the arrangements made for assuring, as far as possible, that only one annual return of income was made by each individual taxpayer. The change made much less practical difference in Ireland than elsewhere, in view of the fact that the Inspector, to whom, in England, the new arrangements made it necessary for the duty of obtaining return forms to be transferred, had always so acted in Ireland.

It is interesting to note that the return of income from all sources that is now necessary is a reversion to the provisions of the earliest Income Tax Act, that of 1799 (an Act which was sufficiently modern in its outlook to contain also provision for children allowance).

In 1928 a new Irish Free State agreement was signed without exciting any comment, the necessity therefor arising entirely from the technical change brought about by the abolition of super tax and the creation of sur tax. The new agreement is a reproduction of the previous agreement, with changes in terms to fit the provisions of the 1928 Act, under which all the personal and family reliefs are now given in terms of tax instead of in terms of income. We are, I suppose, apt almost to forget, in ordinary daily practice, that any such thing has happened, in view of the general convenience of continuing to set out assessments and allowances in the old way. (The normal method of setting out the computation of allowances on a repayment claim is now a stricter reflection of the legal position than the normal method of explaining an assessment.)

In conclusion, I should like to make a brief reference to a few points in Irish practice that are not mentioned in Part IX or elsewhere in the Acts. The first is in regard to the *Irish Land Acts*.

The principal Act with which we are now concerned is the Northern Ireland Land Act of 1925. Some of you may be familiar with the income tax adjustments necessitated by the transfer of ownership from the landlord to the tenant. For the benefit of the others I may say that

the chief feature is that the liability is finally determined by reference to the question whether or not the rent for the half-year ended on the last gale day preceding the "appointed day" fixed in the published "final list" is paid. If the rent has not been paid, the vendor's liability to Income Tax, Schedule A, is terminated at the commencement of such final half-year. If the rent has been paid, the liability terminates in the middle of the half-year. No tax is collected on the final three months, owing to the fact that a refund of the rent is allowed to the vendor by the Land Purchase Commission.

In the great majority of cases to which the Act applies the tenant is exempt from income tax. In these cases, however, in which he has taxable income, his liability as owner commences from the last gale day preceding the appointed day. The extent of his liability, as regards Schedule A, is the Poor Law Valuation less the statutory allowance for repairs, and less the interest included in the Land Purchase "Annuity." The amount of such interest may be calculated from the amount of the "Annuity" as stated in the Land Purchase Commission receivable order, being invariably 18-19ths thereof. (The total statutory income of the purchasing tenant is rather less after the transfer than it was before.)

The Act of 1925 was supplemented, as is well known, by the Act of 1929, which met the position created by the impracticability of carrying through the sales within the time originally contemplated, by providing, in effect, for the equalisation of the term of the annuities in all cases for which an appointed day had not been fixed by November 1st, 1929. One interesting little point in the Act is sect. 6, which extended the operation of the 1925 Act to holdings sold under the pre-1903 Land Acts, in so far as they have been continuously sub-let since November 1st, 1903. The point of interest in making any income tax adjustments in these cases is that an annuity will have been payable (and an income tax allowance for interest due) before the present sale. A portion of the original annuity equal to the sub-tenant's rent will be redeemed by the operation of the Act of 1929; the vendor will continue to pay the balance of the original annuity, and the purchaser will pay a new annuity of an amount equal to the full rent of his holding.

Tithes in Northern Ireland.—Since 1922 the Ministry of Finance, as the custodians of the Church Temporalities Fund created by the Irish Church Act of 1869, have collected tithe rentcharge. Until 1929-30 such rentcharge was payable under deduction of tax. From 1930-31, however, the Ministry of Finance makes a return under Rule 7 of No. VII of Schedule A, and the tithe rentcharge is allowed as a deduction in assessing the lands to Income Tax, Schedule A. During the year 1931-32 the amounts of tithe rentcharges will be altered in a large number of cases by the operation of the Tithe Rentcharge and Variable Rents Act, Northern Ireland, 1930, and some cases may arise in which it may be necessary to claim an adjustment owing to the correct amount not having been ascertainable before the assessment was made.

Assessments, Schedules A and B in Taxpayer Order.—An innovation has been planned in the new assessments, Schedules A and B, in the rural areas in Northern Ireland, which are now in course of preparation. The assessments under both schedules will be made in one book and grouped under the name of the taxpayer, in order to facilitate sending to each individual taxpayer a notice of assessment for the whole of his liability under Schedules A and B in the Assessment District. It is hoped that this new arrangement, as well as being of advantage to the Department, will appeal, by its clearness and simplicity, to the taxpayers concerned.

General Principles of Factory Costing.

A LECTURE delivered before the Incorporated Accountants Students' Society of London and District by

MR. PERCY H. WALKER,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. THOMAS KEENS, Incorporated Accountant.

Mr. WALKER said: Of all the many ways in which the professional accountant can be of real productive use to his client, I think that of installing an efficient system of costing is the one which makes the readiest appeal to the client.

As Sir Mark Webster Jenkinson quoted some years ago, "accurate and efficient records are quite as important to a business as are charts and compasses to a ship at sea, showing the location of the shoals which menace disaster, indicating the channels in which the water is deep and safe and pointing out surely and steadily the course to be followed."

I propose in my paper this evening to outline the general principles which govern all systems of factory costing and to deal more especially with Terminal Costs as applied to shipbuilding and engineering works, and Multiple Costs as applied to printers' costs, these being two classes of costs of which I have had considerable experience.

Professor Alfred Marshall states in his book on "Industry and Trade," that the use of systematic analysis as an engine of business first attracted general attention as the result of the dissatisfaction with the crudity of customary methods of making up cost accounts, which claimed to show, but did not in reality show, the total charges to be attributed to each particular class of product as contrasted with accurate cost accounting but which the path of each element of labour or material is traced so as to show how much is lost.

He also points out that the movements towards the general application of scientific methods in business management and administration were pioneered by the study of cost accounts.

With such a sponsor as Professor Marshall there is no need for me to dilate upon the importance of the subject, but I will go straight on to the subject matter of my paper.

I propose in the first place to define what costing really is, its primary objects and the various useful purposes it serves, together with the more general methods in actual use for arriving at results.

To quote Professor Marshall again, costing can be defined as the statistical analysis of production.

Having fixed our definition, the natural sequence of events takes us to the question of "What are the objects of cost accounts?" It may be said that there are two main objects which all cost accounts aim at fulfilling:—

- (1) To give the prime and actual cost of each unit or article manufactured or contract completed.
- (2) To give the lowest price at which a manufacturer can supply such unit or article to give a reasonable return on his outlay or at which a contractor can quote for a job.

I want to lay special emphasis on the fundamental difference between these two objects, especially in view of the subsequent remarks I may make on interest on capital and similar items.

Any efficient costing system will also serve the following purposes, but they cannot, I think, be held to be the primary objects, but rather the secondary purposes which automatically arise out of such primary objects:—

- (1) That all stores purchased are duly received and accounted for;
- (2) That the buying has or has not been judicious;
- (3) The departmental cost of each article or unit;
- (4) The comparative expenditure and result of each department.

The use to which the results obtained can be put, the advantages of having the information are so obvious as not to need elaboration, the outstanding one being that the company or the proprietor of a business can see which of the departments or which class of article is the most costly to run or the most profitable to turn out, and can eliminate the one and concentrate on the other.

COMPONENTS OF COST.

The component factors of all cost accounts are the same, the only difference being in the method of ascertaining and combining them. Let us first consider what these factors are, viz:—

Labour, Material, Overhead Charge.

The overhead charges are divisible in a number of ways, such as between office and works expenses, or administrative and distributive expenses, but the three main factors can be traced in every cost account.

All costing systems can be classified under the following heads:—

- (1) *Single costs*, as in the case of a colliery or steel works where the labour and overhead charges are distributed on the output, the unit being the ton of coal or steel produced.
- (2) *Process costing*, as in the case of a dye works, where it is necessary to find the cost of the work done in each process, the unit being the output in process.
- (3) *Operation costs*, as in the case of a tramway or railway, where the cost of a specified amount of work done is required, and the unit is the car-mile and passenger-mile, or train-mile and ton-mile.
- (4) *Terminal or job cost*, as in the case of a shipbuilder, engineer or contractor where the cost of each completed job is required and the unit is the ship or contract.
- (5) *Multiple cost*, as in the case of a printing works, where it is necessary to know the cost of a job by stages, together with cost of the finished job, the unit of cost being the job, batch or operation.
- (6) *Departmental costs*, as in the case of a retail business, or clothing factory where only the cost of running each department is required, and the department itself is the unit of cost.

As I stated in my opening remarks, I propose to deal especially with terminal and multiple costs, these in my opinion presenting the greatest obstacles to both the student and the practising accountant, and also being the two classes of costs in which I have had most practical experience. Let us, therefore, take terminal costs first and consider the various factors, the best and most usual methods of recording them, and finally, how the cost accounts can be reconciled with the financial books.

As already stated, all costs are composed of three factors:—

Labour, Material, Overhead Charge;
and we will deal with them in that order.

LABOUR.

I want to lay it down as an axiom at this point that, under normal conditions, the governing factor in the cost of any job is the time occupied in carrying out the work. By normal conditions I intend to convey not only normal labour conditions, but the existence of the necessary plant to carry out the work. If this is admitted, and I think it will be, it is obvious that an accurate record must be kept of the time spent and wages paid to the particular men engaged on the work. For the direct productive labour on the job any of the systems by which a man is timed into the works in the morning and out and back at midday and out again at night, and preserves a record of how his time has been spent during these periods, can be adopted.

It is often contended that the interests of employer and employed are necessarily so antagonistic that payment of wages on the time-work basis only is unsatisfactory.

This has resulted in a number of systems being evolved for what is in effect payment by results. Of course any such system of payment by results to be permanently effective must possess the following characteristics:—

From the national point of view it must be ready to increase the rate of output not only without increasing the labour cost but by actually reducing it, whilst from the workman's point of view the reward to the man must be in accordance with and commensurate with such increased rate of production, and from the employer's point of view it should be capable of quick, easy and safe introduction and operation.

Probably the best known method of payment by results is piece-work, but there are also the various premium bonus systems which have been introduced at the big engineering works.

The whole idea of a premium bonus system is that in contrast to the piece-work system where the man receives a definite price for a definite amount of work, in the premium bonus system he receives a definite bonus based on the time he saves off the time which has been allowed for completing the job.

Given a fair basis of comparison, any bonus system will undoubtedly operate to increase the time rate of production without increasing the labour cost, and will at the same time directly reward the workman for his increased rate of production.

The idea of a premium bonus scheme is, of course, increased output, and it is often thought, especially by the workmen themselves, that this increased output is entirely due to the workman's own unaided efforts. Actually it is the result of the combination of two factors: (1) on the part of the workmen in increased industry, care, thoughtfulness and foresight and the wisdom arising from increasing age and experience in economising time and methods, all stimulated by adequate, direct and immediate reward; (2) on the part of the employer in providing better facilities, equipment, special small tools, more power, improved lighting, better supply of materials and the numerous little helps of various kinds arising out of a better and more intelligent organisation, efforts continually applied and always operative because of the stimulating effect of the knowledge that by helping the workman to save time and increase output, the employer is, therefore, helping to a reduction in his labour costs and thereby obtains his reward.

It would be interesting if we contrasted at this stage some of the different methods.

If we look at what is known as the "Halsey" Premium Bonus System, we find that their method is to fix a standard time for the job, deduct from this the time taken

and divide the result by two, and treat this as bonus hours, or, to put it more briefly, to treat half the time saved as being bonus hours.

The "Rowan" system, which was introduced into Messrs. David Rowan & Co., marine engineers, of Glasgow, is to take the time taken, multiply it by the time saved and divide it by the time taken plus the time saved, which is merely the time taken multiplied by time saved and divided by time allowed.

The time allowed is the average time which the average workman—neither the quickest nor the slowest—takes to do the job under ordinary time-rate conditions, when giving a fair rate of output for his time wages, whilst the premium or bonus paid to the workman is that amount in hours which he received for such saving of the time allowed as he may effect and is over and above the actual hours he took to do the job.

Thus if the standard time to do a job is 100 hours and the workman does it in 80 hours, he saves 20 hours, or 20 per cent. of the time allowed. He, therefore, gets a bonus of 20 per cent. of the time he took, i.e., 20 per cent. of 80 hours, and is paid for 96 hours for 80 hours work.

In the "Halsey" system he gets a bonus of half time saved and if he did the same job in 80 hours he would be paid for 90 as compared with 96 in the Rowan system.

The "Halsey" system was introduced by the American engineer, F. A. Halsey, in 1890, and was adopted by Messrs. Weir, of Cathcart, and is sometimes known as the "Weir System."

Another system which is very clearly explained in a booklet which they have issued, is that introduced by Professor Barr, Professor of Engineering, Glasgow University, and a partner in the firm of Barr & Stroud, of Glasgow, the well known range-finder manufacturers. Their booklet gives very excellent comparison of the various methods of remunerating labour, and I cannot do better than quote what they say:—

(1) *Time-work System*.—This system of paying wages is unsatisfactory for the following reasons:—

- (a) There is no direct inducement to the employee to work harder than will just satisfy his employer.
- (b) There is no direct inducement to the employee to find better ways of doing the work in hand as he naturally enough argues that the benefit arising therefrom will go, as a rule, to the employer.
- (c) Owing to the necessity of paying the least efficient workmen a certain minimum wage, an employer cannot afford to pay a first-class man a wage equal to his merit.
- (d) The employer constantly thinks that his employees do not work as hard or as attentively as they should. Very often he misjudges them from a momentary glance, since it is evident he cannot be watching them all day, and this feeling, together with the suspicions which it arouses, strains the relations between the two.

(2) *Piece-work System*.—One way out of the difficulties of the "time-work system" is the adoption of the "piece-work system" and in certain classes of work it answers well; but it, too, has at least one very serious objection, viz, that known as "cutting of rates." That is to say, when a workman becomes very efficient at piecework, his pay becomes very high, while it may be necessary for the employer, from competition or other cause, to reduce the selling price of his product. If he has still to pay the same price per piece to his employee, it is evident that he cannot reduce his selling price beyond a certain point; he therefore reduces the piece-work rate, and immediately

trouble ensues. In consequence of this cutting—which with unscrupulous employers, is often resorted to without any just cause—the piece workman soon gets to know the point to which he may go without having his rate cut, and no longer works his hardest but limits his output to keep below that point. This system has led to many bitter disputes.

(3) *Profit-Sharing System*.—The system of profit-sharing by dividing amongst employees at given times a certain proportion of the profits, is, perhaps, the worst system of any, though it has worked satisfactorily in some individual cases.

The following reasons against it may be stated:

(a) Profits are not directly made by employees nor are employees directly responsible for losses: bad management of the commercial department, and excessive expenditure in "oncost" charges may account for losses or diminished profits, and over these the employee has no control, and it is unfair that he should suffer from them. On the other hand, profits may be made by outside means, distinct from pure manufacturing, and it is not right that the employee should participate in these, since he has done nothing to earn them. (b) It is obviously impossible to allow everybody access to the business books, and hence the employee has to be content with a statement of divisible profits which he is unable to verify. (c) No special inducement is given to a good workman as he shares just the same as an indifferent or lazy one the profits which he has helped to make. (d) No profits are available for distribution till the end of some long period, usually a year.

Premium System.—In the hope of overcoming the difficulties of the systems mentioned the premium system has been devised, and it is believed it offers a satisfactory solution of most of them. It is in use in many shops in this country and in America, and works most satisfactorily. The results obtained in many shops have been printed in the *American Machinist* and elsewhere, and all testify to the benefits to be derived from the system.

The system may be briefly described thus: Each man is paid a regular time rate of wages, but when a job is given out a certain time is allowed for each operation to be completed; if the operation is completed in less time, the employee becomes entitled to a premium varying in amount with the time saved. It will be evident from the above that while the employee may increase his wages he cannot lose money by the introduction of the system.

The system possesses two main advantages:—

(a) That it enables a workman to increase his wages by his own individual effort, and the increase is immediately added to his wages: (b) the increased wages to the workman means also a reduced cost of production to the employer, and hence there is no inducement to "cut rates."

The "*Barr*" System.—The details of the system are as follows:—The amount of premium bears the same relation to the ordinary wages due for the time taken to complete an operation, as the time saved bears to the time allowed. For instance, suppose four hours be allowed in which to complete an operation, and it is completed in two hours, the time saved is two hours; the premium would thus be two-fourths (one half) of the wages due, i.e., if the rate of pay be 6d. per hour, the employee would receive 1s. 6d. instead of 1s. for the two hours worked (= rate of 9d. per hour); or if the same operation was finished in one hour, the time saved would be three hours, or three-fourths of the time allowed, and the premium would be three-fourths of the wages due—10½d. for one hour's

work—(a rate of 10½d. per hour). Small fractions, where these occur, are thrown in to the advantage of the workman.

The following conditions would be observed:—

(1) The time allowed for any job will be fixed by the manager and heads of departments, and will be, as near as can be estimated, the time which an average workman would take to complete the work. Should it be found to be underestimated, it will be reconsidered before a similar job is again put in hand; but except in special circumstances, such as the introduction of new methods of working, or an obvious error in calculation, the time allowed will not be reduced. There will thus be every inducement to the employees to do the work in the least possible time. (2) The time allowed will include all time necessary to procure tools, set up machines, and obtain material for doing the job; but, of course, in the case of any extraordinary cause of delay, the time so lost will be added to the time allowed. (3) All work will be checked and passed by the foreman or shop inspector before being accepted, and the premium will only be paid after the work has been found satisfactory. In the case of dispute, the matter would be referred to the manager, whose decision will be final as to quality of workmanship. (4) In the case of overtime, the premium will be calculated on the wages due for the actual time worked, without taking the extra half-wages into account.

The largest premiums will be earned by those workmen who arrange their work systematically and who keep their tools in good order, and work their machines in a scientific manner, rather than by those who "hash." It must not be forgotten that in this class of work, quality is the first essential, and quantity the second. It is possible, however, to produce both.

The reasons for introducing the system were as follows:

"First, to reduce the cost of production of output. By so doing they expect to be able to procure more work, thereby employing more hands, and also to enable the company to meet that competition which is every day becoming keener. Secondly, to increase earnings. In every shop into which the system has been introduced, it has resulted in a considerable increase in the earnings of the employees. It cannot in any case reduce the earnings; in fact a general rise has taken place, due to the premium. Thirdly, to stimulate the employees to take a greater interest in their work. With an immediate prospect of deserved reward, better methods of doing many jobs will be devised. Fourthly, to sustain and improve the efficiency of the plant. The system will lead to the employees suggesting improvements and pointing out defects in machinery and tools which can and should be immediately remedied."

Returning to the payment of *Time-work*, we will consider some of the more usual ways of recording the men's time.

There is what is known as the "*Tally*" system, where a man deposits his metal disc or tally on coming in and picks it up on going out. The timekeeper notes the time these discs are deposited and picked up, and has to ascertain what the men were engaged upon in the meantime.

Another system, which is still largely in vogue, in shipyards and dry-docks, is a time board which is handed to the man when he comes in, the timekeeper recording his time in a book and on the board, which is whitewashed, the man records the jobs done and the time spent on each one. This board is given in at night, copied into the time-book and wages abstract next day, re-whitened and re-issued. In the meantime a second board is issued for the alternate days and is dealt with in the same way. The

great weakness of this system is the lack of permanent record. The best system I have encountered, and one which I have recently installed, a specimen of which I shall be pleased to circulate for your inspection, is based on a time card used in connection with a time-recording clock. Each man has a definite number, which he retains as long as he is in the employ of the firm. Two cards, bearing his number, are issued each week, one for Monday, Wednesday and Friday, and another for Tuesday, Thursday and Saturday. The front of the card shows his time of entering and leaving the works and the back the jobs on which he was engaged.

On leaving the yard or works on Monday night he clocks off and leaves his card with the timekeeper and draws his card for Tuesday. Monday's card is thus left with the timekeeper all day Tuesday, who checks the man's apportionment of his time with the time shown on the front of the card, according to the clock. If this is correct he enters it upon the time-sheet, showing the analysis of the hours to the various jobs. This card is then ready for re-issue on Wednesday. For the purpose of ease in analysis, each job has a distinctive number and the clerk making up the wages sheets deals with them by number and is not interested in what the job is for. At the end of the week, the time-sheet is sent in to the pay office, where rates of pay are inserted and the amount due to each man calculated out and analysed to the various jobs.

The total of the analysis of the wages sheets must agree with the wages paid and is carried to the 'Wages Journal. It is merely a memorandum and does not form part of the books of account.

The difficulty now arises, how can you charge the indirect or non-productive labour to the respective jobs? This will include foremen, timekeepers, storekeepers, yard and work cleaners and draughtsmen, and my experience has been that the best method is to divide the amount paid each workman over the various jobs in the ratio the direct wages on the particular job bore to the total direct labour for the week.

Another method which is almost as effective, is to charge all indirect or non-productive wages to establishment charges. They are then charged to the job in whatever method is adopted for allocating establishment charges.

MATERIAL.

In dealing with this factor it must be borne in mind that it may consist of raw materials, complete parts purchased, or partly completed parts purchased, and as a general rule is dealt with in one of the following two ways, namely:—

Either sent direct to the contract department or taken into the stores to be used as required. In the first place it should be debited direct to the contract or department, and in the second place to the stores account, a delivery note being signed by the storekeeper or foreman. Care should be taken that material is debited at the actual cost price, any trade discounts being deducted from the amount of the invoice payable. Where material is taken from the stores, a requisition note bearing a distinctive number of the contract or job for which it is required should be given, signed by the foreman of the department and also by the workman to whom it is delivered. Some firms pass all materials through the stores whether the actual materials had gone through the storeroom or direct to the job. Material ordered in excess of what is actually required should be returned to the storeroom with a stores returned note, which should be signed by the foreman.

We have in the delivery note, requisition and store returned notes the sources from which the stores accounts and the contract or department accounts are compiled.

The storekeeper incorporates this in his store delivery book, giving the job number and the quantity and description of the material. This book is sent to the counting house to price up the material, which is then placed to the debit of the various jobs.

In the system I have recently installed, specimen forms of which I have before me, the stores delivery book is kept in loose leaf form, each leaf being in triplicate, and a separate sheet is allocated to each job. These sheets are entered up in quantities only, by the storekeeper in triplicate. All three copies are sent to the office or counting house, and there priced out. One copy is filed away and becomes a stores issued book, the second copy is filed away with the other dockets relating to the cost of the particular job, and the third copy is ready for production in those cases in which the work is done on the net cost and percentage basis. In addition to this a stores issued and received book is kept which is really a stock ledger. All goods as they are received are debited from the invoices, both quantities and value being shown, and the weekly totals of the sheets previously mentioned are posted to the credit. This book is divided into sections, a separate section being kept for each class of material, the advantage being that the stock in hand at any given date of any class of material can be obtained from this book.

An excellent method of dealing with material in the case of a factory turning out standardised parts or articles is one in which the estimating department makes up at the start of a job a detailed estimate of the quantity of each class of material which should be required; a blue print is made of this estimate and sent to the storekeeper in charge of each particular store. The foreman or workmen who requisite material from the store is only allowed to draw the quantities stated in the estimate. Should the workman require more material than is provided for in the estimate, he must report the matter to the estimating department, who will then investigate the question and find out whether an error has been made in the estimate or whether the workman carrying out the work has been extravagant in the use of the material. By this means a very close check is kept on material in stock and it prevents what is a very common source of wastage, namely, the workman drawing more material than is actually needed in order to be on the safe side and save the trouble of going for further supplies.

Scrap material received from any particular job should be sold and the amount realised credited to the department or job to which the material was originally charged.

While we are on the question of material, I would like to deal with the subject of handling charges. Many firms in making out their costs add amounts varying from 1½ per cent. in the case of steel plates and angles and 7 per cent. in the case of paints and similar items for handling. My own personal opinion is that it is so difficult to earmark the actual handling charges of any particular class of material that the better method is to treat this item in the same way as the indirect or establishment charges and charge the material in each case at actual cost without any addition.

INDIRECT CHARGES.

We now come to the third factor of our cost, namely, the indirect or establishment charges. This is the most difficult factor to arrive at, and is one in the treatment of which there is considerable difference of opinion.

We have to cover in this remaining factor the whole of the indirect cost of running our factory or works

exclusive of those items which have already been charged direct to the job. In other words, all those items of expense which appear in the profit and loss account and are incurred in the earning of the profit. I use the expression "incurred in the earning of the profit" as distinct from those items which are allocations of the profit after it has been made.

You will remember that I stated the primary objects of cost accounts were to ascertain first the actual cost of each article or contract, and the second the lowest price at which it was safe to carry it out, and I remarked that the two objects were frequently confused.

As an example of this confusion we have the contention urged by so many authorities on costing that interest on capital should be considered as an item of indirect cost. If the object of your cost accounts is merely to give you the lowest price to quote, then of course I agree that interest on capital must be considered, but if we are endeavouring to ascertain the actual cost of the article manufactured or contract carried out, then interest on capital must not be considered.

The whole of the capital raised, whether as ordinary share capital, mortgage debentures or overdraft at the bank, is represented on the other side of our balance sheet by various assets of the business.

As we provide for the maintenance, repairs and running of these assets in the indirect charges we should not also allow interest on the capital which purchased them. Interest on capital in whatever form raised is an allocation of the profits after they have been made and not a charge incurred in the earning of profits. The fact that mortgage debentures, for instance, carry with them a definite charge or lien on some particular asset sometimes leads to the assumption that interest on the debenture should be treated differently to interest on capital, but I think I have made it clear that debentures being merely capital and represented by assets, the manner in which the interest is provided for does not affect the principle.

No one would reasonably argue that the dividend declared on the ordinary shares at the end of a trading period, as a result of the profits made by selling the articles produced, is a charge against the cost of production, and the position is exactly the same with the interest on debentures or interest on capital raised as an overdraft at the bank.

The indirect charges are sometimes further sub-divided between factory oncosts and establishment charges. Factory oncosts would include:—

- (1) Rent, rates and taxes of factory.
- (2) Depreciation of plant, machinery and tools.
- (3) Depreciation of patterns and designs.
- (4) Motive power, lighting and heating.
- (5) Superintendence and clerical assistance.
- (6) Unproductive wages, such as timekeeper, store-keeper and cleaning of factory.

Whilst under the head of establishment charges we have the cost of administration and distribution, which would include:—

- (1) Salaries of manager, clerks and directors.
- (2) Rent, rates and taxes of office or showrooms, and office expenses.
- (3) Travellers' wages and expenses.

If merely departmental results are required the apportionment and allocation of these items is simple, but if the indirect cost per job or article is required, one of the following methods can be adopted:—

- (1) The most usual method is to take the wages paid on any particular job and use this as the sole factor on

which to distribute all the indirect charges. Where the work done is of a general nature and the whole of the firm's facilities are more or less equally occupied on the one class of work, this method is absolutely sound.

The only point where there is some difference of opinion is whether the indirect expenses should be distributed in proportion to the time spent or the wages paid. This must be governed largely by the class of workmen employed. Where they are all more or less skilled workmen it makes but little difference, but where a number of apprentices are employed it is obvious that a very different cost may be obtained working on the two different factors.

One may have an expert workman who will execute a job in half the time required by another, but for which he will receive double wages. In each case the same amount of wages will be paid but as regards the wear and tear and cost of superintendence and other charges, the inferior workman has probably cost more than the expert as he has wasted material and destroyed more tools than the other.

Against this, however, in every factory there must be some apprentices and inferior hands, and I am of the opinion that it is unfair to inflate the cost of any particular job simply because one or more of these men happen to have been entrusted with the work.

As already stated, where the whole or practically the whole of the work done in any department is of such a character that it is unimportant how it is distributed among the men, it is more correct to apportion the charges according to the wages paid.

Where the work is of a varied nature so that economy can be effected by allotting certain portions to those men earning a lower rate of pay and other portions to men earning a higher rate of pay, the more correct method is to apportion the indirect charges according to the time occupied.

(2) To distribute the departmental charges on the factor of labour, giving what is known as the "Factory Oncost" and then distributing the administrative charges on the total of the labour "Factory Oncost" and material. There are certain arguments in favour of this method, but it possesses weaknesses which I will deal with in the next method.

(3) To distribute the whole of the indirect charges on the factor of labour and material. There is obvious fallacy in this method which to some extent applied to the second method, as a rise or fall in the market price of any particular material does not of itself affect the amount of indirect charges on the job. Whilst any increase in the cost of labour is directly reflected in the indirect charges, the same cannot be argued in the case of material.

It is obvious, and was particularly so during the period of the war, that some individual or class of the community may make a corner in particular classes of material, the prices of which at once jump up to an absurd figure. The indirect charges on any job are the same as when the material stood at a normal price, inversely owing to a larger supply of the material coming on the market, the price drops.

Here again the indirect charges are not really affected. As I have already said, broadly speaking, the labour factor is the safest one on which to distribute the indirect charges.

(4) Where a manufacturing concern has certain plant or machinery which is only used in certain jobs, if we take the whole of the indirect charges, which include the maintenance, repair and depreciation of all the machinery and plant, and distribute them evenly on the factor of labour, it will be seen that the cost of those jobs on which

the special machinery or plant is not used is being unduly inflated by the cost of running such machinery or plant, to the benefit of those jobs where they are specially used. In order to avoid this undue inflation of the cost of certain jobs, a variety of methods is adopted. One is to take the floor space occupied by each particular machine or class of machines and base the charges for the use of the machine or class of machine on that figure. This method is all right if all the machines are of the same type or pattern, but in many cases the more up-to-date a machine is, and generally speaking the more expensive it is, the smaller the floor space it occupies. It will be seen, therefore, that the old and sometimes more or less obsolete machine occupies a larger floor space than the new and more compact machine, and consequently a higher charge is made for its use.

The best method which I have come across is to take a fixed rate of so much per centum on the capital value of the machine used.

This capital value is from time to time written down as the machine becomes less efficient, and consequently the job is charged with a proper proportion of the cost of running the machine in use based on the efficiency of that machine.

It cannot be too strongly urged that in writing down the capital value of the plant, obsolescence must be taken into account even more than wear and tear. The amount so charged is carried to the credit of the general establishment charges and the amount distributed, for those jobs which the machines are not used is only the remaining balance which cannot be allocated to any particular job.

(5) Apportioning the indirect charges on labour and material in a varying percentage according to the ratio of labour to material on each particular job. For this purpose a curve or graph is prepared and in those cases where the ratio of labour to material is high, the highest rate is applied, dropping as the ratio of material rises.

I have dealt rather fully with terminal or job costs, and I want now to turn to the other class of costs, namely, multiple costs, and I cannot do better than outline very briefly the system adopted by the Master Printers' Association.

The printing trade was one of the first to realise the necessity of a scientific costing system for quotation purposes, but they have, in my opinion, always sacrificed the idea of obtaining the actual cost of the work done to that of obtaining the safe figure at which they can quote for work.

The first system they tried was that of adding a fixed percentage sufficient to cover all general expenses, based on the previous year's profit and loss account, to wages and material alike. It was soon found that the printer adopting this system was out of the market when quoting against a competitor working on a more scientific system on all orders containing much material and little labour, although he would secure most of those orders where there was much labour and little material.

This system was then abandoned, and that of taking material at practically cost price and adding a fixed percentage to labour sufficient to cover all other expenses.

This was found to have the reverse failing to the system previously mentioned, and the system as finally approved by the Master Printers' Congress at London in February, 1913, was on the following lines:—

- (1) The cost per hour (if the work is done on time or per piece unit if the work is done on piece-work rates) must be found for each process in the business.

- (2) This hour or piece unit cost should cover all expenses of wages and general expenses, viz, idle time, rent, rates, taxes, selling expenses, and interest on capital.
- (3) A percentage sufficient to cover the cost of warehousing, handling and selling should be added to the net cost of the material.
- (4) The individual cost of each job on the above basis should be ascertained, to which should be added a reasonable amount for net profit.
- (5) The above hour costs should be automatically checked at recurring intervals, so that the printer may know that the hourly rates on which he is working are covering the cost of production.

You will no doubt observe the confusion I have already mentioned between the primary and secondary object of cost accounts very marked here, as they include both interest on capital and a reasonable amount for net profit.

A series of statements is compiled, the first of which is called "Statement of Expenses." In this statement we get from our profit and loss account the following items:—

Rent, rates, taxes, light, heat and water.

These are divided between the composing room, machine room and the paper or material stock room, according to the floor space occupied.

Power.—This is divided between the machine room and the binding room, according to the amount used.

Depreciation.—This is divided between the composing room, machine room, and binding room, and is charged at 10 per cent. on the value of the plant in each department.

Fire Insurance.—This is divided over the four departments according to the floor space and contents.

Workmen's Compensation.—This is divided according to the wages paid in each department.

Repairs, and Renewals, Machinery and Plant.—This, of course, is divided according to the actual amount spent in each department.

Direct Departmental Sundries.—These, of course, are charged direct to the department in which they accrue.

All Other General Expenses.—These are not divided to any particular department but are put to overhead expenses and dealt with in the next statement.

In order to see how the remaining overhead expenses can be recovered, a statement is made out on the following lines, viz, total wages paid for the year, add direct departmental expenses, which gives the total departmental cost. To these are added the overhead expenses recovered on departmental expenses plus wages, which gives us the total which has to be spread over the hours worked to give us our hourly rate. If we add to this the materials plus 10 per cent. for handling, we should arrive at the estimated expenditure for the year.

The next step is to compile a statement of the cost of production, each week, which is made up as follows:—

Wages actually paid including national insurance, add departmental expenses, which gives us the total direct departmental cost for each department. To this is added a proportion of the overhead expenses, giving us the total departmental cost for the week.

The next stage is to obtain what is known as value of production. We get from each department a daily docket, which gives the number of hours worked on each job in each process by each worker, whose time is chargeable. The docket shows both the number of hours worked on each job, and the number of non-chargeable hours. These

dockets are entered up on a form which provides in each department for the daily analysis of chargeable and non-chargeable hours. At the end of the week the chargeable hours or piece units of each process must be totalled and multiplied by the determined rates or the piece wages totalled and a percentage added.

The method of finding these rates, *i.e.*, the hourly rate is as follows :—

Composing Department.—If the department works on time, the total chargeable hours is divided into the total departmental cost, *i.e.*, into the total wages paid, plus departmental expenses, plus proportion of overhead expenses.

If the department is doing piece-work only, the thousands of ens set out should be divided into the departmental cost.

The result is the cost per hour on time or cost per thousand ens on piece.

If the department works on both piece and time and it is impossible to make a separate department for each, the cost per 1,000 ens and per hour can be arrived at as follows :—

Find the number of chargeable hours for time work, also the number of thousands of ens set on piece and add three-quarters of the number of thousands to the number of chargeable hours. This is, of course, because the average compositor will set up approximately 1,000 ens in three-quarters of any hour.

The total of these two is divided in the usual way into the cost of production, and gives the cost per chargeable hour for time work or per 1,000 ens on piece.

Machine Units.—A unit representing machine hour costs must be found for each machine. This unit will cover all the expenses of the department, with the exception of the wages of the minder and the feeder of each machine, and to this unit hour cost a sum must be added to cover such wages of minder and feeder.

The method of arriving at this machine hour cost is as follows :—

A statement is compiled giving the following data :—

Numbers and names of various machines.

Number of units for each machine, using £50 or any part of £50 as a unit.

Average number of hours machine is in use in the week.

Multiplying the number of units by the average number of hours we get the total hour units per week.

We have already obtained the average weekly total departmental cost. From this we deduct the wages paid to the minder and feeder, and dividing the balance by the total of hour units for each week, we get the hourly unit value. Dividing this by the number of units represented by the cost of each machine, we get a separate hourly unit value for each machine.

We now have to apportion our minders' and feeders' wages, which we do by taking the total weekly wages paid for each machine and dividing it by the number of hours the machine is in use.

The result is then added to the hourly unit rate and gives us the machine hourly rate.

We now take the chargeable hours (*i.e.*, the actual hours charged on job cost sheets) in each department and multiply by the hourly rates. This gives us the value of

production, and the difference between the total departmental cost and the value of production shows whether the department is busy or slack and covering costs or not.

I do not propose to dwell on the method of connecting up our cost ledger with our financial books, but would merely point out that such an agreement is advisable.

Let me lay particular stress on the point that while the costs accounts should be connected with the financial accounts and balanced with them, they form no part of such accounts and should not be mixed with them.

I have confined my remarks this evening entirely to the general principles of factory costing, and all the systems I have touched upon are those I have met in actual use in successful undertakings.

The elimination of waste and the concentration on the more remunerative forms of production will do more to help industry than any of the so-called schemes of rationalisation, and I can only hope that by indicating some of the ways in which we can enable the producer to do this I may have helped some of the students present to fit themselves to become in reality what Mr. Stanhope Pitt so aptly described us as "Physicians of Commerce."

Discussion.

Mr. A. V. HUSSEY, Incorporated Accountant : There are just three questions I would like to ask. Mr. Walker made reference to the fact that he did not agree with all that was written on the question of a share-of-the-profit basis of remunerating labour. In the present period of trade depression we are continually met with accounts of companies which do not include any profits at all. Of course, it would never do if one had to wait until a profit was shown before the labourer could be remunerated. The question I desire to put in connection with that is this : Is it not a fact that a share of the profits in the ordinary sense means an appropriation of the profits ? But surely it is also part of the cost of production which should be included for the purpose of ascertaining the cost of your article or commodity. With regard to interest on capital, do I understand that for the purpose of ascertaining a fair rate of profit that one has to consider that so much per annum has to be found for debenture interest and so much for preference dividend and a pre-arranged figure for the ordinary shareholders ? I presume you must take the total of those items and work out the profit to that figure. My final query relates to the Lecturer's reference to the question of overhead charges with regard to machinery. New machinery may occupy a smaller space than some of the older machinery. If that is so, what are you going to do if you have written down your new plant until it is of a nominal value or no value at all ? How are you going to cover your overhead charges in respect of the working of that machinery ?

Mr. WALKER : Mr. Hussey has given me three posers. First of all, with regard to profit-sharing. I want to say here and now that I am a whole-hearted believer in the various schemes of profit-sharing if they are carried on far enough. And that leads me to this point : if we take, for example, Lever Brothers, or any of those firms which have successful schemes in operation, we find that they do not confine themselves merely to profit-sharing, but they really work on a system of co-partnership. In the first place they fix a fair rate of wages, and the result has been that in every case there is a distinct addition to those wages—an addition to the ordinary rate. A mere profit-sharing scheme which simply depends upon the existence of profit for its justification cannot, of course, survive a period of bad trade, but if you adopt the other idea of making the workman a direct partner in the business in which he is concerned, it is something much better. If you do as the various gas companies do—pay a man his standard rate and then allot to him certain shares of the company as part of his bonus, carrying that further still so

that when he has acquired a sufficient holding of shares he is eligible for a seat on the board—you get there the ideal combination of labour and capital meeting on common ground, with common interests, and you get such an extraordinary difference in working that you find in every case it is a distinct addition to the man's normal remuneration. With regard to the question as to whether the allocation of a share of the profits is really a part of the cost of production, it is obvious that if this were done it would hamper the firm in competing with rival concerns and it certainly should not be included. In the case of a premium bonus, however, the whole idea is that the labour cost, whether it be the normal wages paid for the normal time on the job or the additional wages paid where the job is done in a shorter time, should approximate to the same figure and there should be little or no difference in the cost of production. The whole of the wages paid should be treated as part of the cost of production. Dealing with the question of interest on capital, the point I tried to make was that after arriving at your actual cost of production, if you are going to get a figure at which it is safe to quote for a repeat job, you have to provide an amount which will give you an adequate return on your capital. My point is that it does not matter whether it is debentures, preference capital or ordinary capital, or money borrowed from the bank—it is capital in the business, and a fixed rate per cent. on that capital has to be provided for after you have arrived at your costs. It is an allocation of your profits and not a cost of production. The third point was about the use of machinery. I think the question was as to whether, in a case in which you are writing down the capital cost of your machines, after writing it down to zero how are you to provide for the use of that machinery? Well, frankly, the manufacturer who is in the lucky position of having written off the whole of the capital cost of his machinery is undoubtedly able to do his work at a far lower cost than competitive firms. I can only suggest that in that case you would have to depart from the capital basis system and work on one of the alternatives. But in practice it never happens. By the time you have written down the machine, the machine itself has disappeared.

Mr. A. V. HUSSEY : I am not yet quite clear regarding that question of interest. What I do not understand is this : A business does not necessarily arrive at its cost of production on a pre-determined turnover. It may do so, but in these times it strikes me it may be exceedingly difficult. If we think of a large concern, no matter what the industry may be, it is very difficult, I think, to determine what is going to be the turnover of that concern for the next six or twelve months, but despite that, provision has to be made for debenture interest and interest on bank overdrafts and for the dividend on preference shares. It seems to me that that has to be provided for in the costs, but I understand that you are definitely against that.

Mr. WALKER : No ; I am against the addition of any interest on capital as part of the cost. It is not part of the cost. You are providing for the repair and renewal of plant and machinery in your profit and loss account, and if you provide for running costs and maintenance, and in addition to that put in interest on the capital which purchased the machinery, you are covering the same thing in two ways. If your cost accounts are to give you the lowest cost of a job so that you may get a reasonable return on your money, then you take in the interest on your capital. When you come to take that interest on capital, I contend that you should not differentiate between preference and ordinary capital, but you should say "the capital of this business is so much, made up in a variety of ways and represented by a variety of assets, and in order to get an adequate return I have to allow a fixed rate on that capital, whether it is ordinary or preference capital or debentures."

A STUDENT : It is all very well to speak in terms of premium or in terms of extra remuneration, and to say that the premium or extra remuneration is something taken from the profits and therefore should not be included in the costs, but I cannot help thinking that this might

lead to disaster if one did not take into account the extra remuneration given to the labourer. With regard to night charges, these constitute :—(1) On-cost, and (2) establishment charges. If I mistake not, Mr. Walker said that the indirect charges should be calculated on wages. So far as establishment charges are concerned, I do not see any reason why they should be calculated on wages. The Lecturer said that in some cases where the cost of material increases, though the establishment charges remain the same, the office on-cost automatically increases. Then it comes to this, that we charge office on-costs whether the expenses of material vary or not. Let us take office expenses—the expenses for rent, rates and gas-fires. It does not necessarily follow that because I am employing more labourers I use more gas. I think the office on-costs or establishment charges should be charged on the bulk cost, the reason being that the establishment charges should be apportioned according to the cost of the articles in bulk.

Mr. WALKER : I am afraid I was not quite clear about these bonus schemes. You are quite right when you say that the actual amount paid as the wages cost should come in, but my reason for advocating the adoption of the one factor—the wages cost—for the apportionment of all establishment charges, whether administrative or otherwise, was the fact that, broadly speaking, the governing factor in the cost of any job is the time taken on that job. If you admit that, then your question with regard to gas and all that kind of thing is answered, because the time that the job took governs the amount of gas consumed in the period. Therefore, broadly speaking, and respecting the particular class of costs I was dealing with—engineering and shipbuilding costs—the labour factor is quite a sound one to work upon for all your on-costs.

Mr. R. A. FRICKER : I would like to ask the Lecturer a question with regard to the charging of stores. In his experience, has he found that the charging of stores at the market price is very often adopted? Then with regard to premium bonuses and income tax, could Mr. Walker tell us whether they are allowed for income tax purposes? My third question is with regard to the actual keeping of cost accounts. Has Mr. Walker found any machine-accounting to be of great service?

Mr. WALKER : I am very grateful to Mr. Fricker for giving me one question which I can definitely avoid, and that is the one in regard to income tax. It has no bearing on the paper, and I think I can safely rule it out of order. It is a question as to whether the quarterly assessment man who receives a premium bonus should return his bonus with his ordinary wages.

The CHAIRMAN : I took the question to be whether the firm are allowed to charge the premiums.

Mr. WALKER : Whatever wages the firm pays, it is allowed to charge as part of its productive wages. With regard to the individual recipient, he, or course, would have to return, if he were a quarterly assessment man, the whole of the money he received. As to the question of materials and the best method of charging out, if you are keeping a stock ledger to which you debit all your material as received at cost, you are bound to charge it out on the same basis. My own experience has been, over a number of years, that the actual cost price and not the market price is the only true factor to charge in order to arrive at the actual cost of the job to you. With regard to machine accounting, there you open up a much bigger field. The Hollerith system is excellent, and I have had experience of it in working. I do not think it is within the scope of this paper to express an opinion as to the merits or demerits of any particular system, but anything that will reduce clerical work by getting it done automatically is to be advocated on every occasion.

Mr. T. B. SIMM : On the question of interest on capital, Mr. Walker has been dealing mainly with engineering firms. Where, however, the manufacturer makes a single commodity, such as tyres, for instance, and has to buy rubber and keep it in stock for two years ahead, is it not fair to charge interest at a fixed rate, say, 5 per cent.

per annum, or 10 per cent. for two years, on money laid out on that stock?

Mr. WALKER: Again my opinion is that the interest on the money laid out is an allocation of the profit he is making on the job, and not part of the cost. The fact that he borrowed the money, or laid money out for a certain time, affects the profit on the job, but not the cost of the job.

Mr. A. A. GARRETT: I notice that Mr. Walker mentioned, in his interesting paper, the question of premium bonus systems. I had rather an interesting experience a few months ago. I arrived at Edinburgh by train and found a copy of the *Cornhill Magazine* which a Scotsman had left behind him in the train. When I looked at the contents of the magazine I began to find out why it had been left behind, because it contained an article entitled "The Mysteries of the Pay Envelope." No Scotsman, of course, could ever believe that there were mysteries, or ever had been any mysteries, connected with a pay envelope. (Laughter.) I read the article, which was written by an intelligent workman, who criticised, not unfairly, the premium bonus system. His principal criticism was the factor of uncertainty—that a workman did not know from one week to another within a considerable sum what his wages would amount to. And further, although there was a regular routine for checking the premiums which were due, in practice it was very complicated for a workman to check the various savings of time which entitled him to extra pay above the standard. It was admitted that if the system could be worked smoothly it offered a considerable advantage to the workman, to the employer, and assisted production. I should be interested to hear from Mr. Walker whether he has come across these systems in practice, how they have worked, and how the workmen have taken to them. I should like to say that Mr. Walker has brought the subject within the sphere of reality. Some of the articles and books on the subject seem to me to be rather in the air, and lack inspiration of practical experience of costing.

The CHAIRMAN: I am afraid that our time has gone, and all I can possibly allow is Mr. Walker to reply shortly to what Mr. Garrett has put to him. I myself am going to exercise a self-denying ordinance and say nothing. But I am bound to say there are two or three things which I think I might have found some argument against. I am not at all satisfied about this interest on capital, and there are two or three other things of the same description. I am not really satisfied about the premium bonus business at all, but I am going to leave it alone because I am quite sure that it will be a reminder to our indefatigable Secretary that this question might very well go down again for discussion.

Mr. WALKER: I think Mr. Garrett's point was whether I had any experience of the successful working of premium bonus systems. Well, frankly, there is always the charge levied against them that the workman does not know exactly what he is going to get—and there are so many factors entering into it that are sometimes beyond his control that it is not altogether satisfactory. It brings me back to my original premises, that the best method, in my opinion, is the method of paying a man on a flat time rate for the work done, on the assumption that the average workman is an honest man. That has been my experience. You get the piece-work system, and that applies, of course, to a particular class of work, but generally speaking, the system of paying a man the recognised rate of pay for the hours worked is, I think, better than any of these premium bonus systems. If you want to go further you should adopt the other idea of making them co-partners in your business and let them be on a profit-sharing basis. If you can make the man feel that it is in his own interest to work his best for his employer and that he really is at the same time working for himself, then I think you are getting the best out of him. These premium bonus systems have more arguments against them than they have in their favour.

On the motion of Mr. MOSS, seconded by Mr. WELTON, the Lecturer was warmly thanked for his lecture, and the usual vote of thanks was accorded to the Chairman.

SIR JOSIAH STAMP'S ADDRESSES.*

Sir Josiah Stamp's new volume entitled "Criticism, and other Addresses" emphasises anew the versatility of the author. Of the twenty addresses which comprise the volume, the range of subjects may be gauged from the following:—

Scholarship, Economics of the Gospels, Knowledge, Science and the Old Testament, Scientific Progress, Christian Ethics and Economics, Citizenship, Industrial Unrest, Transport, Arbitration, Direction of Industry, The American Debt, Rationalisation, International Relations, Accountancy in 1965.

Of special interest to Incorporated Accountants will be the last named, which first appeared in the columns of this *Journal* in 1925. Could the position of the present-day accountant, in all his diverse activities, be better stated than in the words (p. 312): "He makes such a useful cross-section of all industry and business life that he is able to supply a unique and needed ingredient in collective wisdom"?

Sir Josiah foresees a considerable enlargement in the functions of the profession, especially in relation to company matters and taxation systems of future years.

The only regret to which the present reviewer is compelled to give expression is that evidently Sir Josiah looks forward in his vision to the profession spending a further forty years in the wilderness, before obtaining that recognition which alone can be conferred by Parliamentary enactment.

It is very gratifying to have the testimony of so enlightened and scientific a mind as Sir Josiah's to the things which cannot be shaken, and doubtless many earnest minds will become debtors to one who speaks with equal clearness on the Christian Ethic, the Economic background of the Gospels, and Science and the Old Testament, as he does on Economic subjects.

In dealing with the present position of Rationalisation in a speech at Bradford only a year ago, he reminds us that "true rationalisation does not defeat or hold up economic consequences." That word in italics implies its opposite, and warns us that many things are being done under the cloak or in the name of rationalisation which are entirely foreign to its real purpose.

The very stimulating address given in New York on "Financial aspects of International Relations" is of first-class importance, as also is the address on "The Dilemma of Economic Choice," delivered before the International Chamber of Commerce at Brussels on the occasion of the presentation of special reports on the effect of reparation payments on industry.

Not the least striking chapter in the volume is upon the American Debt, after the perusal of which one certainly has a distinctly clearer conception of the problem.

The book contains a list of authors quoted, covering

over 150 names, which gives a wonderful index to the cosmopolitan character of Sir Josiah's reading.

Great credit is due to the publishers for the admirable manner in which the book is produced, and particularly for the readable type, which so greatly adds to the reader's pleasure in perusal.

DISPUTED CLAIM FOR ACCOUNTANTS' CHARGES.

In the King's Bench Division on March 25th Mr. Justice Finlay heard an action brought by Messrs. Everett & Son, Chartered Accountants, of 78, Old Broad Street, London, E.C., to recover from the defendant, H. Diamant, of Park Lane, London, W., £210, their fee in preparing an account and précis relating to a business in which the defendant was interested and which it was contemplated turning into a company under the name of Zinkins Limited.

The plaintiffs' case was that by a letter dated October 25th, 1929, addressed to them and signed by the defendant, the latter agreed to pay them their fees within fourteen days of allotment by the company which was proposed to be formed, or, failing allotment, within two months from that date.

The defendant's case was a denial that the letter on which the plaintiffs stated their claim constituted a contract between him and the plaintiffs. He said that the letter was intended to be supplemental to a letter from him to the plaintiffs dated October 24th, 1929, and that by the terms of the contract the payments therein mentioned were to be made for a certificate to be rendered by the plaintiffs and not otherwise. The defendant alleged that, as the certificate had not been signed by the plaintiffs and used, he was not liable.

Mr. Frank Everett, a member of the plaintiffs' firm, gave evidence to the effect that his firm was employed to prepare a report and précis of accounts of the business proposed to be turned into a limited company. The defendant agreed to pay him the fee of two hundred guineas if the company did not go to allotment within two months following October 9th, 1929.

Cross-examined by Mr. Hemmerde, K.C., for the defendant, Mr. Everett said he had done a considerable amount of work in the verification of the assets of Zinkins' business and the examination of the books. He had to go into the stock sheets and analyse them for the purpose of verification. He had refused to sign the certificate which he had prepared because there had been failure to satisfy him as to the sales contract.

At the conclusion of the evidence Mr. Justice Finlay gave judgment for the plaintiffs for the amount claimed. He said Mr. Everett had quite properly refused to sign the certificate until the contract of sales had been produced to him. He came to the conclusion that the defendant had made himself responsible to the plaintiffs for their fees, and there would be judgment for them with costs.

Incorporated Accountants' Golfing Society.

SPRING MEETING.

The Spring Meeting was held at St. George's Hill Golf Club on Thursday, April 16th, 1931.

In the morning the stroke competition was won by Mr. H. Townsend, who is a new member of the Golfing Society, with a score of 100 - 18 = 82 net. Mr. B. L. Clarke-Lens, Mr. L. Jordan and Mr. P. F. Keens tied for second place with scores of 95 - 11, 98 - 14, 92 - 8, making 84 net.

In the afternoon a four-ball bogie competition was held, and the winners were Mr. H. Townsend and Mr. Thomas Keens, with a score of 2 up.

The Financial Page.

A LECTURE delivered before the Liverpool Society of Incorporated Accountants by

MR. A. WETHERELL,

Commercial Editor, "Liverpool Daily Post."

The chair was occupied by Mr. A. F. SHAWYER, the Liverpool General Manager of Martins Bank Limited.

Mr. WETHERELL said: When we speak of the financial page of a daily newspaper we do not think only of those columns strictly concerned with finance, but of all that section of the paper concerned with finance and commerce. Primarily the financial page is a mirror of the markets. It is the first function of a newspaper to purvey news, and the most important news to a great many men is accurate intelligence regarding the markets in which they are interested. And as there is a multitude of different markets, so the newspaper in its commercial and financial pages has to cater for many different sections of the public.

I remember some years ago being very pleased, while on holiday in a remote part of the country, at an assurance from a casual acquaintance that he saw the *Daily Post* every morning. I was naturally gratified at this proof of the wide geographical distribution of the paper and inquired if any one feature particularly appealed to him to lead him to prefer it to its numerous competitors.

"Oh," he said, "we get it for the manure market!" By "manure" he meant sulphate of ammonia. He was, it turned out, manager of a gasworks, and the daily report of the market in sulphate of ammonia and other residuals of gas manufacture was a matter of close interest to him. Not a great many people are interested in sulphate of ammonia apart from gasworks managers, farmers, and gardeners, but there are scores of other commodities whose prices are recorded in the commercial pages, and every one of them plays its part, large or small, in the great volume of national commerce and is of importance to some section of the public. There are also in the Black Country and in East Lancashire and West Yorkshire numerous manufactured commodities and residuals of which we may hear little in Liverpool, yet whose values are roughly based upon prices of standard commodities reported daily in the *Daily Post*. On that account you will find the *Daily Post* in quite distant works and factories. Of first importance to Liverpool and Lancashire is the cotton market, the full reports of which have always been a feature of the *Daily Post*. For many years past Lancashire's great cotton industry has been on an unsatisfactory basis, with continuous short time and declining export trade. With the reasons for this we are not now concerned. They have been the subject of books, pamphlets, articles, and speeches innumerable, and have been set forth *ad nauseam* in the general news columns of the daily newspapers. How intimately Liverpool is concerned in the tragedy of the Lancashire cotton trade we all know. The fact that during the last two years no fewer than 55 firms formerly engaged in the cotton trade in Liverpool have gone out of business is only one indication of how seriously Liverpool has been affected by the closing of mills and the inability of the industry to sell its products in the old-time volume to the outside world. Nevertheless, Liverpool's cotton market is still the most important in the world, and the columns dealing with price movements, crops, and consumption of raw cotton, and the prices, demand for, and volume of exports of cotton cloth form an important section of the financial page.

FALLING COMMODITY VALUES.

Important though these columns are and insistent as is the appeal to sections of readers of market reports dealing with shipping freights, wool, provisions, corn, general produce, tin, copper, iron, and other metals, we will readily admit that these are not everybody's daily meat. They are, indeed, "caviare to the general," if by the "general" we mean the general reader, whose interest in these matters is excited only by spectacular movements in prices whether up or down and whose attention when he turns to the financial page is almost wholly confined to that portion dealing with the Stock Exchange and the money market. Nevertheless, though the price movements from day to day in commodity markets attract little notice as a rule from the general reader of a newspaper, the sum of these movements, when they take the form of a long-term tendency, may affect everyone very closely. In the last few years we have seen all commodities declining in value and in the last year there has been an unprecedented collapse with the result that all producers of these commodities have found their purchasing power reduced, holders of stocks have been impoverished, and the commerce of the whole world has been paralysed. Yet in its early stages this epoch-making movement to a lower basis of values attracted little attention from the general public. Its possible effects on national welfare were not realised. No one thought it would go so far. Costs of production, it was thought, would hold prices at a certain level. Later, it was realised that the value of an article is what it will fetch and costs of production must be adjusted to that. I have said that the daily movements in commodity prices generally attract little attention. It is one of the functions of the "ideal" financial page to draw attention to significant movements and tendencies, to explain them to the non-expert reader, to embody the dry bones of market figures in the flesh of understanding, and to deck them as far as possible with the bright raiment of imagination. If it sometimes fails to reach this ideal it is not for lack of human interest and romance in respect of many of the commodities.

THE COLLAPSE IN WHEAT.

Think for a moment of the consequences of the precipitous fall in wheat, of how the Canadian pools planned to hold the 1929 crop for two dollars a bushel, of how Argentina undersold them, of how bounteous nature by plentiful crops in Europe and elsewhere finally completed their confusion and forced them to sell at less than half a dollar a bushel. This fall in wheat values has meant hardship and even ruin to many a Canadian farmer and produced an economic crisis in the West which will have lasting effects on the social and economic structure of the country. The slump in wheat has also helped to plunge Australia into the financial morass in which she is struggling, and disorganised trade with Argentina. Or reflect upon the romantic rise of the rubber industry in the East, the spectacular share booms, and slumps, with fortunes won and lost, the vain attempt to remedy over production by partial restriction of output, and the final collapse resulting in the impoverishment of Malaya and other rubber producing countries, and staggering losses in income and principal by investors at home. Or turn one's attention to the romantic rise of the cocoa industry in the Gold Coast, now the world's largest producer though a few short years ago it exported only a few tons. The cutting of the prices of cocoa by over 50 per cent. has wrought havoc in West African trade, with resulting injury to our export trade and our shipping.

ROMANCE OF THE FINANCIAL PAGE.

There is an element of romance about all these movements, just as there is in connection with Brazil's

long struggle to keep up the price of coffee, or the efforts to keep copper, tin, silver, oil, and many other commodities on an artificial level, and this element of romance is seldom absent from the financial page. It may be thought that this is rather a dangerous claim to put forward on behalf of the financial page, for one of the dictionary definitions of the word "Romance" is "a fabulous narration of events designed for the entertainment of the reader." A newspaper which gave a "fabulous narration of events" under the guise of City News and Notes might add to the gaiety of nations and temporarily beguile the tedium of the passing hour in these days of business depression, but I fear it would soon lose its readers. Accuracy in the matter of commercial and financial news alike in respect of figures and facts and the interpretation to be placed upon them is of the first importance, and no pains are spared to secure accuracy. Market reports are written by experts in the markets they represent, and in the case of the stock markets, whose interests are so wide that no one man is an expert in every section, reports and comments are the product of a collaboration of writers.

In recent years what I may term notes for investors and pabulum for speculators have become the distinguishing feature of the financial page, and the prominence given to those matters in all the leading papers is indicative of the wider interest taken in the stock markets and the demand by readers for accurate information regarding stocks and shares and all matters calculated to affect their market value. This increased interest in Stock Exchange securities on the part of the public is wholly desirable. It is a natural sequel to the diffusion of capital among the masses of the people, and I hope it will increase from year to year. It is a good thing for the country that the capital of public companies and the bonds representing civic and national indebtedness should be as widely diffused among the people as possible. The ideal would be for every voter to be an investor, and in as many companies as possible. The interest thus taken in various branches of industrial or business activity would help towards more sober and cautious views regarding all matters likely to affect industrial and national interests.

PITFALLS FOR INVESTORS.

But the path of the untutored investor is full of pitfalls. The ideal he aims at is safety plus a reasonable yield. As a rule the less experienced he is the larger the yield he hopes to secure. It is only by experience that he realises that safety and 10 per cent. or 15 per cent. do not run together normally. There are plenty of opportunities, however, as everyone knows, to make big profits by capital appreciation by buying at the right time and taking a profit when it is available, and so there is always the lure for the speculative investor who is willing to take a risk for the sake of greater gain than can be secured in what are classed as "safe" securities. To slightly alter the striking dictum of the late Lord Birkenhead, there are always on the stock markets "glittering prizes for those with stout hearts and sharp wits." And so long as there is any spirit of adventure within us, any desire to increase one's wealth or income by the exercise of one's judgment in the selection of investment risks, so long will the hope of securing these glittering prizes bring recruits to the ranks of speculative investors, and so long will they eagerly scan the financial columns in the hope of picking out a "certain winner."

Big prizes generally involve big risks, and the speculative investor realises this. The investor's attitude of mind is different. Strictly speaking, he seeks safety of income and capital—in recent years safety and 5 per cent.—and many a speculator wishes he had been content with this

ideal. But even the unadventurous investor is liable to lose his capital. Even if he confines his purchases to trustee stocks he may see his capital disappear like ice in the sun. We know what happened to 2½ per cent. Consols. Once standing at a handsome premium, they fell to well below half their face value after the war, and are still at over 40 per cent. discount. Australian State and Commonwealth stocks are trustee securities, but the fear of default has wilted them so that now we see 5 per cent. stocks redeemable at early dates standing under 60. The heavy falls in these securities and in home railway preference stocks have inflicted huge capital losses on investors who thought that they were avoiding speculative securities by confining themselves to trustee stocks.

LOST CAPITAL.

But gilt-edged stocks which fall to three-quarters or half their former values are stable investments compared with the shares of industrial concerns. When the cyclone of a trade slump sweeps over the world's markets, there is a general levelling process, and all industrials fall in value to a greater or lesser extent. We have had our share of the recent vicissitudes of the stock markets. How much good Liverpool capital, one wonders, vanished in the descent of United Molasses from over £6 to 12s., of Unilevers from 129s. 6d. to 35s., of Imperial Chemicals from 45s. 6d. to nearly 14s., of Inveresk Papers from 67s. 6d. to 3s., and of African and Eastern from nearly £6 a few years ago to about 4s.? The falls which have taken place in these big concerns can be matched by the tragic collapse in shipping shares of the Royal Mail group, in railway stocks, in iron and steel issues and textiles, and in the shares of hundreds of honestly conducted companies whose shares are dealt in on the stock markets. Scores of millions of accumulated capital have vanished in the falls in these shares, and to these losses must be added the total losses sustained in the collapse and disappearance of a multitude of concerns floated a few years ago to make artificial silk, automatic machines, gramophones, records, wireless apparatus, and other things, or to make easy money by financial juggling.

With an honestly conducted concern the investor has at least a chance, but it is a different matter when he gets entangled with companies run by shifty financiers who rob the public too often with impunity. The Blue Bird oil swindle and the gigantic Hatry frauds are fresh in mind, but there are dozens of other cases where no criminal has been placed in the dock, where shares have been planted on the public at high prices based on extravagant statements of results achieved and better things to follow, and where the companies have collapsed like a pricked bubble or expired from financial anemia following upon the belated refusal of the public to turn in more money.

INFORMATION AND GUIDANCE.

All these terrible losses emphasise the need for accurate information and guidance for the investor, for it can hardly be denied that many of these losses to which I have referred were avoidable. Newspapers seek to supply this information without which sound judgment is impossible. Much of this information comes from the stock markets, which, while they are a gathering ground for rumours, false and true, are also vitally alive to every item of news affecting individual companies and business and monetary tendencies. Newspapers have other sources of information, so that it is also true that much of the stock market information comes from the daily newspapers. In directing attention to securities which combine a reasonable degree of safety with an adequate yield, in analysing the financial position of public companies, and discussing changes in economic and financial conditions which may affect the value of investment

securities and popular speculative or semi-speculative shares, newspapers fulfil a useful purpose. Mistakes are frequently made. It is only a few months, for instance, since a well-known London writer was recommending the purchase for safety and capital appreciation of Royal Mail Steam debentures which can now be obtained at less than half the price. But the advice is always disinterested and based upon the best information available. After all omniscience is not given to mortals, and the law of libel often deters a financial journalist from giving as plain a warning as he would like.

SHARE PUSHERS' WILES.

The most elementary knowledge of Stock Exchange matters, derived from the perusal of the financial page, should, however, protect the reader from the wiles of the professional share pushers of whom one hears every now and then planting worthless shares on ladies and other persons of means and credulity, but of little experience of business and human nature. The number of cases of this kind which come to light is small in comparison with the many undisclosed swindles perpetrated during good times by bucket shops and their agents. Some of these share pushers are most persuasive persons. I have in mind one man who worked in Liverpool some years ago and who sold me some worthless scrip in the days of my financial innocence. Towards the end of his career he was pushing "M— Goldfields," and with an air of conviction he would expatiate on the wonderful possibilities of the shares he was offering round about 5s. each. Over a cup of coffee (or something in a glass), he would produce a map and show the location of the company's alleged field of operations, tracing the course of the streams and the lie of the hills. "Gold has been found here," he would say, "and here, and here, diamonds there, and tungsten and platinum here. God knows what they will find when they get into the hills!" According to him there was no goldfield like it. You only had to pull up the elephant grass by the roots and shake it and you could see the gold dust drop out. And then labour! The untutored native was glad to work for 6d. a month. All this led up to the exhortation to get in quick while the shares were so cheap and not to sell under £50. It seems wildly extravagant, but this man "got away with it," and deceived business men who should have known better.

MASS PSYCHOLOGY AND THE STOCK MARKETS.

The advent of a large body of new investors into the stock markets during the last few years, coupled with the development of share tipping as a newspaper feature, leads to a position which has its dangers. Mr. McKenna spoke recently of the power of mass psychology in determining the employment of credit in one direction or another. This is largely responsible for Stock Exchange booms. It can hardly be doubted, I think, that the American share boom which culminated in 1929 was fanned by modern methods of publicity, and that in our own stock market boom of that year, prices of popular speculative shares were pushed up far higher through the widely circulated recommendations of the newspapers than they would otherwise have reached. The public are eager to know what is going up, and the effect upon the public mind of repeated recommendations to buy a certain share for capital appreciation is incalculable. If the price begins to rise the prophets call attention to the fact, and probably claim the credit. This brings in more buyers, for everyone likes to "come in with the tide," the price rises further as a result, and more buyers come in to help on the advance. The result very often is that the public get loaded up with shares at prices altogether unjustified by present or prospective yields, and sooner or later there is a collapse. This happens

in every share boom. There is a Stock Exchange maxim which says: "There is seldom a tip without a tap," and the financial journalist has to remember this and not be too ready to pass on to the public without inquiry all the tips which come his way. Too often a rise in a speculative share is the result of manipulation designed to bring in the public. A rising market always does this, and the insiders then get an opportunity of unloading their shares on the public, after which the market is left to take care of itself or the manipulators may turn on the bear tack, and depress the shares which before they were hoisting. The public are generally in the dark in regard to share movements. Unaware of the technical position of the market—that is, whether there is a bull or a bear run in progress—regardless alike of options outstanding for the fall or the rise, and of the fact that a trade cycle may be nearing its peak, the odds are against the uninformed speculator, and he needs all the help which a well-informed and disinterested newspaper can give him.

THE MONEY MARKET.

The oldest feature of the financial page is that which appears under the head of the Money Market. This is concerned with the price of loans, both long and short, with discount rates, foreign exchanges, and the value of gold and silver. Here is a branch of "City" news upon which whole libraries have been written without dispelling the atmosphere of mystery in which to the eyes of the majority of newspaper readers it is enshrouded. What is money and how can we have a market in it? Why should the shipment of a few millions of gold to the Continent or the fall in the value of silver affect us here in Liverpool? And why should a merchant here be able to buy £131 10s. worth of wheat or wool in Australia for £100 sterling, or lose nearly 6s. in the £ if he desires to bring home profits earned in Argentina? These are a few questions which might conceivably occur to a newspaper reader unversed in financial matters, who turned his attention to the report of the Money Market. It has been remarked that one might explain the term "the Money Market" by saying that no such market exists, and that the persons concerned with it do not traffic in money, but otherwise the term is accurate. By this is meant that dealers in the Money Market are less concerned with money in the usual meaning of that word than with various forms of credit. The price of money is the rate at which it can be borrowed. Like all other commodities the rate varies according to supply and demand, and it also varies according to the status of the borrower—that is, according to the degree of security offered. Gold shipments since the War have been on a scale to which we were unaccustomed in pre-War days. In addition to being an almost universal standard of value gold is the basis of credit and the ultimate means of making payments between one country and another when the ordinary balance of commercial and financial credits is dislocated. The loss of a few millions is an indication that the foreign exchanges have moved against us—that is to say, that the value of sterling in terms of foreign currencies has depreciated. The Bank of England cannot see an exodus of gold continuing indefinitely so it checks the outflow of credits abroad and draws foreign balances for employment here by raising the rates at which money can be lent in the London money market. It may do this by advancing the bank rate, the minimum rate at which it is ready to discount bills, or, as was the case recently, by intimating that it was desirable that market rates should be raised nearer to the official minimum, and reducing the market's surplus credit by sales of securities on a large scale on its own account. Higher rates for money are a sequel to an excessive outflow of gold, and as these higher rates raise the cost of

conducting business, everyone is more or less affected by large gold movements.

IMPORTANCE OF SILVER.

As to silver, we are apt to lose sight of the importance of a fall in this metal. Once legal tender with gold throughout the civilised world, it has been thrown over by one country after another as a standard of value as the Western world has moved on to a gold basis, and is now a standard of value only in the Far East.

Remembering that in 1920 silver was worth over 5s. an ounce, and is now little over 1s., you can imagine the decrease in the purchasing power of the hundreds of millions in China, and the fall in value of India's hoards of the white metal. To a big section of the world's population our cotton goods have been made too dear to sell in former quantities as a result of this fall in silver, and Lancashire's trade has suffered in consequence. The fall in silver has possibly cost us millions in the dole; but it has attracted little attention among the general body of newspaper readers.

I referred a few minutes ago to the adverse exchanges of Australia and Argentina. Each country has been affected by the collapse in values of its principal exports, grain and wool, and also by unsound finance. Australia enjoyed many years of prosperity owing to high prices of agricultural and pastoral products and the expenditure of borrowed money, and this found expression in a high standard of living and an artificial wage scale which could only be maintained by a high tariff supported by constant borrowing in the London market. The shrinkage of her exports following upon a long drought coinciding with last year's debacle in wheat and wool prices brought matters to a head. Australia has £36,000,000 a year to find in London, to pay interest on her external loans and, in the absence of new borrowing on this side, she is hard put to it to find funds for the purpose by the sale of produce over and above the amount necessary to pay for her imports. These have been very largely reduced through the raising of the tariff and through the natural operation of the adverse exchange which at present adds about 6s. in the £ to the price of European goods which surmount the tariff wall. This is unfortunate for British trade generally, and for Liverpool in particular, for any diminution in the volume of goods to be carried across the seas is another blow to our depressed shipping industry. In the case of Argentina, government corruption and financial mismanagement have helped to dislocate the exchange balance, but the new government is understood to be treading the well-tried road of retrenchment and reform, and the exchange should be restored to normal in time.

I have referred to these few subjects, news regarding which normally appears under the head of the Money Market, with the hope of indicating how numerous are the topics for discussion which might be found under that prosaic title, and how interesting, nay, how fascinating are these subjects which too often receive scant attention from the general newspaper reader.

I have also sought to persuade you that all the matters dealt with on the financial and commercial pages are at least as potentially interesting as the general news columns, that changes in the prices of commodities may affect us all in many unsuspected ways, that the reporting of these changes in the newspapers is a complicated task carried out with remarkable accuracy and speed, and that in regard to Stock Exchange matters the newspaper is the investor's friend and the speculator's companion, providing for each facts and figures essential for accurate judgment, untainted by bias or self-interest and set forth with the one object of meeting the requirements of the public.

North Staffordshire District Society of Incorporated Accountants.

DINNER AT STOKE-ON-TRENT.

The annual dinner of the North Staffordshire District Society of Incorporated Accountants and Auditors was held at Stoke-on-Trent on March 27th.

Mr. DONALD H. BATES (the President) occupied the chair, and was accompanied by Mrs. Bates. Others present were:—The Lord Mayor and Lady Mayoress of Stoke-on-Trent (Councillor and Mrs. H. J. Colclough), Mr. Henry Morgan (President of the Parent Society) and Mrs. Morgan, Mr. H. G. Williams (formerly Parliamentary Secretary to the Board of Trade), Sir Francis Joseph (President of the North Staffordshire Chamber of Commerce), Mr. C. E. Bullock (Chairman of the British Pottery Manufacturers' Federation), Sir Fred and Lady Hayward, Mr. Percy Toothill (President of the Sheffield District Society), Mr. A. A. Garrett (Secretary of the Parent Society) and Mrs. Garrett, Mr. A. E. Piggott (Secretary, Manchester District Society), Mr. C. M. Dolby (President, Liverpool District Society), Mr. R. Simpson Duthie (President, Cumberland District Society), Mr. Robert Bell (President, Irish Branch), Mr. J. A. Hulme (President, Manchester District Society) and Mrs. Hulme, Mr. J. W. Richardson (Secretary, Sheffield District Society), Mr. T. Thompson (City Treasurer, Stoke-on-Trent), Mr. S. H. Dodd (Secretary, North Staffordshire Chamber of Commerce), Mr. J. Paterson Brodie (Hon. Secretary, North Staffordshire Society) and Mrs. Brodie, Mr. and Mrs. Bernard Robertson, Mr. R. H. Moon, Mr. A. W. B. Grimwade (President, North Staffordshire Institute of Bankers) and Mrs. Grimwade, Mr. A. Brodie, Mr. F. E. Cheetham, Mr. W. J. Dean, Mr. H. J. Derricott, Mr. L. G. Fetzner, Mr. R. W. Harris, Mr. G. P. Lawton, Mr. H. Owen, Mr. C. K. Roberts, Mr. A. P. Walker, Mr. P. H. Walters, Mr. R. A. West, Mr. N. Bishell, Mr. E. M. Beswick, Mr. A. J. J. Boulton, Mr. H. E. Brassington, Mr. R. Chapman, Mr. W. C. Coxon, Mr. F. H. Edwards, Mr. M. P. Ferneyhough, Mr. L. Greatbach, Mr. K. E. Goodwin, Mr. H. R. Hughes, Mr. C. B. Hancock, Mr. E. S. Hancock, Mr. H. Handcock, Mr. R. J. Kent, Mr. R. W. L. Lowe, Mr. A. S. Nicklin, Mr. T. W. Porter, Mr. G. Purser, Mr. P. W. Rumble, Mr. C. A. Ready, Mr. E. Stoddart, Mr. C. A. Shaw, Mr. R. C. Smith, Mr. F. C. Tyler, Mr. C. A. Tavorer, Mr. G. Taylor, Mr. R. W. Woodhead, and Mr. W. H. C. Wayte.

Alderman Sir FRED HAYWARD, submitting the toast of "The Society of Incorporated Accountants and Auditors, its Branches and District Societies," expressed his belief in the organisation of members of a profession with the object of raising its status and demanding a high standard of proficiency in those practising it. That was to the good not only of the profession, but of the whole community. Their Society had proved that it was not merely a selfish organisation, but had for one of its principal objects the improvement of professional standards. Sir Fred referred to the valuable work undertaken by the Society in encouraging young members to become proficient in their profession by the organisation of classes and the provision of facilities for study. Accountancy, Sir Fred remarked, had become more and more essential to the success of any business as the years went by. In olden times business methods were of the rule-of-thumb order, and their forefathers had built up prosperous and successful businesses without any knowledge of

accountancy. Times, however, had changed, and it was now essential that the leaders of industry, both nationally and internationally, should be able to put their hands, at the shortest possible notice, on the figures and statistics of the enterprises of departments under their control. The accountant was probably going to be the most important person in business, and was going to be able, by reason of his analysis of figures, to instruct proprietors and managers as to the best course to pursue in order to achieve the best results. Sir Fred said that Mr. Morgan bore a name in the City of London which commanded respect, and they were pleased to welcome him and to recognise the great work he had done for the profession.

Mr. HENRY MORGAN (President of the Parent Society), who was warmly received, paid a tribute to Sir Fred Hayward's great public services and congratulated him upon his recent knighthood. He could have wished, continued Mr. Morgan, that his first visit to the City of Stoke-on-Trent had occurred at a time when the important industries of which it was the centre had not been passing through a period of acute depression. Unfortunately, that condition was common to all important industrial centres which it had been his lot to visit during the past few months in the course of his Presidential duties. They were oftentold that accountancy was a fortunate profession, because even when trade was bad its members prospered by the misfortunes of the commercial community through the demand for their services in the winding up of insolvent businesses. He would like to remove such a wrong impression. Although most insolvency work was carried out by professional accountants, the present intense trade depression seriously affected the welfare of practising accountants generally. However their members individually might be affected, they could congratulate themselves that, in spite of the serious trade depression during the past two or three years, the Society of Incorporated Accountants and Auditors had continued to increase in numbers, in influence, and in the extent of its services to the commercial community. During the year 1930 they added 291 new members to their roll, and the admissions to their examinations numbered 1,890, of whom 51 per cent. were successful. Their increasing influence was illustrated by the success which attended functions such as those, and the support which the District Societies received from their numerous distinguished guests. The District Societies had become a most important feature of their organisation, and the energy which was being displayed by their officers, committees and members was having a material effect in promoting the interests of the Society and its members generally. The presence there of a member of the late Conservative Government (Mr. Herbert Williams) prompted the speaker to make reference to an important matter with which he (Mr. Williams) might closely be concerned in the not distant future. He referred to the urgent need for revision of the Companies Acts. He fully recognised the very valuable services rendered by the last Companies Committee upon whose report the Companies Act of 1929 was based. That Act provided valuable safeguards, but if the investing public were to be properly protected, it must be evident that their Company Law had to be constantly revised to meet the changing conditions and methods of public company practice. He had been told by a prominent banker recently that some of the chief troubles and difficulties of the City of London at the present time were due to the incompetence of directors and the manner in which they ignored their responsibilities and exploited their companies for their personal advantage. Somewhat similar views were constantly being expressed in the Press. Mr. Morgan went on to refer to

the statements of financial papers which had referred to directors of certain companies as "parasites on industry," and to "directorial fortresses." One paper suggested that the real cure was for shareholders to insist on their right to replace failures on the Board, and that a Protection Society might be evolved to take an active part in securing competent directors. What a hope with Company Law as it was at present! The only means by which shareholders could get new directors appointed was through the medium of an annual general meeting, and the stage-management of such meetings and the methods devised for obstructing any opposition to the proposals of directors, had become a fine art with a certain type of public company. Although the law required that the voting rights of shareholders should be disclosed in a prospectus, in practice those voting rights were practically worthless, and it was very nearly impossible for shareholders to exercise any influence over the composition of the Board. The enormous development of joint stock companies, and the great increase, both in their capital and the numbers of their shareholders, had rendered the antiquated and inequitable proxy system useless to shareholders as a means of protecting their interests. It passed his comprehension that the hundreds of thousands, and, in fact, millions, of shareholders in public companies throughout the kingdom had not raised an outcry and demanded that the Companies Acts should be altered so as to provide them with a fair and equitable method of exercising the voting rights to which they were entitled. Amendment of the law was urgently necessary in that important respect, and he did not hesitate to say that it would have the effect of eradicating many of the gravest evils and abuses which disfigured public company practice at the present time.

Mr. H. G. WILLIAMS, proposing "The City of Stoke-on-Trent and its Industries," said he had been very much struck by the informative and challenging speech of the President of the Parent Society. He referred to the question of Company Law amendment, and recalled the fact that, owing to the illness of his chief, he was in charge of the Companies Act of 1929. During those long, weary weeks they did a lot of good work, and they had to reject thousands of amendments, most of them aimed at the very purpose which Mr. Morgan had in mind, but not calculated to bring it about. The fundamental difficulty was that of making the joint stock system a real democracy in finance. It was difficult by an Act of Parliament to protect fools from rogues. Nothing was more discreditable to their national finance than some of the flotations of 1928, from which the public had suffered ever since. It should be the duty of the Board of Trade to watch ceaselessly the operation of Company Law in order to introduce amending Acts from time to time, so that the law would keep in step with the circumstances which were so constantly changing. The municipal governments in this country were passing through perilous times, and they were, to some extent, ceasing to attract the best abilities that the various districts could offer. It was a real challenge to industrial leaders and business men. They could not expect good government, either national or local, unless they were all prepared to support their own political parties, and to do something to ensure efficient administration. Illustrating the handicaps under which local authorities were working, Mr. Williams suggested that town councils with memberships of 60 to 80 were too large, and would be better controlled by smaller bodies of governors. These large bodies were controlling organisations comparable with a business in the same city, which was controlled by a board of five directors, four of whom were, as a rule, absent. In all matters of administration,

the single mind was more efficient than a committee. In the February number of the *Ministry of Labour Gazette*, Mr. Williams proceeded, were some interesting statistics showing the number of insured people in employment. Those engaged in the distributive trades during the past seven years had increased their employment by 40 per cent., whereas those engaged in other industries had increased by only 2 per cent. Was it quite healthy that they required 40 per cent. more persons to distribute the same quantity of goods as compared with seven years ago? That was a disturbing feature in their national life which called for inquiry.

The LORD MAYOR, in response, spoke of the great development of the city of Stoke-on-Trent during the past 21 years since the six Potteries towns had been federated. The trade conditions, however, were very bad, and he should imagine that the profession of accountancy was about the only prosperous one in the city. (Laughter.) Recalling the fact that he started business as a pottery manufacturer 41 years ago in humble circumstances, the Lord Mayor said he thought for many years he could do without accountants, but he now found them an indispensable part of his business. He was deeply appreciative of the services they had rendered to him. In conclusion, he complained of the interference of politicians in the industries of the country, and said the problems of industry could be solved if the politicians would show a little common sense and adopt the right course.

Sir FRANCIS JOSEPH also responded. Referring to the company present, he said that in the discharge of their duties they were doing a great deal to dissipate the ignorance of mankind on how industry was run and on the results of industry. Figures could be as romantic as any story if they were rightly understood. There was no more romantic document in the world than the Stock Exchange price list. It was the mirror of the hopes of mankind. Referring to trade, Sir Francis said they were passing through a period of depression and no man could see the end of it. By drawing upon the lessons of history they believed that the cycle of adversity would pass at no distant date. When that time came, he believed it would be found that the manufacturers of the Potteries had not been idle, and had set their houses in order by providing a range of goods which no country in the world could equal. They were getting down to things and facing hard facts, and the knowledge that England was leading the way for the revival which must come made him still an optimist. He believed this country had still before it a great destiny, which, if they were true to themselves and their traditions, must be achieved at no distant date.

"Our Guests" was submitted by the CHAIRMAN, who welcomed the attendance of representatives of other District Societies. He paid a warm tribute to the valuable services rendered to the community by Sir Francis Joseph, Sir Fred Hayward and Mr. Herbert Williams, and welcomed Mr. C. E. Bullock, F.C.A., Chairman of the British Pottery Manufacturers' Federation.

Mr. C. E. BULLOCK and Mr. PERCY TOOTHILL briefly responded to the toast.

A delightful little ceremony followed, when Mr. Bates, on behalf of the District Society, presented Mrs. Morgan, the wife of the President of the Parent Society, with a handsome Longton china coffee service. Mrs. Morgan, in charming terms, acknowledged the gift.

The PRESIDENT, in proposing the health of "The Secretary," paid a warm tribute to the excellent services of Mr. J. Paterson Brodie. Mr. Brodie had taken a considerable amount of trouble in arranging the dinner, and they were deeply indebted to him.

Mr. BRODIE, in response, proposed the toast of "The President," which was heartily received.

Mr. DONALD BATES, in reply, mentioned that he was the first student in the district to serve his articles, pass his examinations and commence practice 21 years ago. Determined to raise the status of Incorporated Accountants, he started a little District Society, and before the war lectures took place in his office. The present District Society was the outcome of these little lectures, and since the Society had been formed under the various districts it had helped the profession tremendously.

Reviews.

Income Tax Back Duty Cases. By Ronald Staples, Editor of "Taxation." London: Gee & Co. (Publishers), Limited, 8, Kirby Street, E.C. (112 pp. Price 10s. 6d. net.)

The endeavour of the author of this little book is to provide accountants with a guide which will be of service to them when called upon to advise taxpayers who are in the position of having to make restitution for under-payments of Income Tax for past years. In his preface Mr. Staples says that a large percentage of these back duty cases are settled as a result of bluff on the part of the Revenue Authorities, that the law on the subject is weak, the zeal of the officials strong, and the ignorance of the taxpayer colossal. The book contains many hints as to procedure in dealing with these cases, which will be found very useful.

The Law of Income Tax. 5th Edition. By E. M. Konstam, Barrister-at-Law. London: Stevens & Sons, Limited, and Sweet & Maxwell, Limited, Chancery Lane, W.C.2. (696 pp. Price £2 2s. net.)

This is an important publication, dealing with Income Tax and Sur Tax in all its aspects. The subject is first discussed under the various schedules by which assessments are grouped in the Income Tax Act, 1918. This is followed by a number of chapters dealing with special matters, such as exemptions, sur tax, claims for relief, appeals, and other remedies open to the taxpayer, and is supplemented by an appendix which contains the text of the 1918 Act and the Finance Acts which have been passed subsequently. The Statutory Orders relating to Sur Tax, Weekly Wage Earners, and Superannuation Funds are also included. All new enactments and decisions of importance up to the early part of this year are included. Mr. Konstam's book is now well known as an authoritative treatise on Income Tax matters.

The "Ideal" Interest Tables. By J. Gall Inglis. Edinburgh: Gall & Inglis, 12, Newington Road.

This book takes the form of a Ready Reckoner for simple interest, ranging from $2\frac{1}{2}$ per cent. to 7 per cent. The main tables deal with the rates of $4\frac{1}{2}$ per cent., 5 per cent., $5\frac{1}{2}$ per cent., $5\frac{3}{4}$ per cent., and 6 per cent., but direct calculations from $2\frac{1}{2}$ per cent. up to 3 per cent. are obtained from the same tables by using the italic figures on the right side of the page instead of the corresponding figures on the left. For instance, the interest on £25 at $3\frac{1}{2}$ per cent. for a given period is the same as the interest on £50 at $1\frac{1}{2}$ per cent. for the same period. The tables show the interest on every £1 up to £50 and every £100 up to £3,000. The 5 per cent. table, being the one most frequently required, is given in more detail, and is coloured differently on the front edge of the leaves to make it easily distinguishable.

Bytes on Bills of Exchange, Promissory Notes and Cheques. 19th Edition. By A. W. Baker Welford, Barrister-at-Law. London: Sweet & Maxwell, Limited.

2 and 3, Chancery Lane, W.C. (44 pp. Price £1 15s. net.)

It is now over a century since the first edition of this book was published, and its general character is still preserved, although certain parts have been re-written and the whole book thoroughly revised. The present author was associated with Mr. Byles for many years, and collaborated with him in preparing the previous edition. Every aspect of the subject is comprised in this work, which has been regarded as a standard treatise on Bills of Exchange for many years.

Debentures of Private Companies. 13th Edition. By Herbert W. Jordan. London: Jordan & Sons, Limited, Chancery Lane, W.C. (66 pp. Price 2s. 6d. net.)

In this little book Mr. Jordan explains the purposes served by Debentures, the method of issue and registration, the provisions as to stamp duty, and the circumstances under which Debentures can be redeemed and reissued. Particulars are also given as to the mis-use of Debentures drawn in the form of a Bill of Sale, and Debentures issued by Industrial, Provident, and Building Societies, &c.; also various points to be observed in order to comply with legal requirements.

Modern Office Management. By H. W. Simpson, F.C.I.S. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C. (320 pp. Price 7s. 6d. net.)

The main idea which runs through this work is the elimination of waste, mainly with regard to office management and equipment, the method of keeping stocks and stores, and the organisation of the sales department. The use of office machinery is described at some length, including machines for ledger posting, &c., illustrations and descriptions being given in most cases. Correspondence and filing likewise receive attention, as well as letter-opening and franking machines. The book contains much information which will be found useful by anyone who has under his care the control and organisation of a large office.

Builders' Business Management. By J. H. Bennetts. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C. (228 pp. Price 10s. 6d. net.)

This is another book on the management of a business, but it is devoted entirely to the building trade. Apart from general office management, the work of the draftsman, the estimator, the surveyor, the building site foreman, and the works' superintendent are all discussed at length, and a chapter is also devoted to the transport section. Numerous charts and other illustrations are supplied, such as cost sheets, stock records, labour distribution and progress schedules, the object being to show how a builder's business on a large scale can be organised to function smoothly and efficiently. The work is intended rather for the use of those engaged in the business than for accountants whose work is concerned mainly with the presentation of results.

Songs of a Chartered Accountant. By Arthur Bennett, F.C.A. London: Gee & Co. (Publishers), Limited, 8, Kirby Street, E.C. (130 pp. Price 6s. net.)

This book consists mainly of extracts from publications by the same author, which have been issued from time to time. The subjects are varied, most of them being far removed from the realm of accountancy. They may, however, be of interest to some of our readers.

The sympathy of Incorporated Accountants will be extended to Sir Basil Mayhew, K.B.E., F.C.A., in the sad loss he has sustained by the death of Lady Mayhew. Sir Basil Mayhew frequently visits Incorporated Accountants' Hall, where he is always sure of a cordial welcome.

District Societies of Incorporated Accountants.

BELFAST.

Annual Report.

In presenting the report on the work of the Society for the year ended March 31st, 1931, your Committee wish to express their regret at the death of Mr. W. T. Graham, and to place on record their appreciation of the very valuable services he rendered to the Society, more particularly in the early years of the Society's existence, and in connection with the establishment of an examination centre at Belfast.

MEMBERSHIP.

The total number of members is 169, consisting of 19 Fellows, 55 Associates, and 95 student members, as compared with a total membership of 180 last year.

EXAMINATIONS.

The examinations of the Parent body were held in May and November in the Central Hall, Municipal College of Technology, Belfast. Twenty-two candidates entered for the examinations in May and nineteen in November. The following were successful in passing the Final examination:—Mr. F. H. Millar, Mr. E. C. Comerton, Mr. S. A. Martin, Mr. J. Magee, and Mr. E. V. Hillan.

ANNUAL DINNER.

The annual dinner was held at Belfast on December 12th, 1930. Mr. James Baird, President of the District Society, was in the chair, and a number of important guests were entertained.

STUDENTS' SOCIETY.

The annual general meeting was held on October 10th, 1930, when the following officers and Committee were elected for the session:—President, Mr. J. Stanley Lewis, A.S.A.A.; Vice-President, Mr. S. Boyle, A.S.A.A.; Hon. Secretary, Mr. L. McCullough; Hon. Treasurer, Mr. H. McMillan, A.S.A.A.; Committee, Mr. T. A. C. Agnew, Mr. E. G. Cowzer, Mr. R. Dunlop, Mr. W. R. Ford, Mr. E. V. Hillan, Mr. T. A. Leonard, Mr. W. C. Lutton, Mr. W. H. Palmer, Mr. J. A. Reilly, Mr. W. T. Scott, and Mr. W. Smyth.

The following lectures were held:—

"Rights and Duties of an Auditor," by Mr. D. T. Boyd, F.S.A.A., B.Com.Sc.

"Some Thoughts on Elementary Economics," by Professor H. O. Meredith, O.B.E., M.A., M.Com.

Debate: "Hire-Purchase — Is it Beneficial to Trade?" Affirmative, Mr. James Baird, F.S.A.A.; negative, Mr. Robert Bell, F.S.A.A.

"Cost Accounts," by Mr. S. D. Crossey, A.S.A.A.

Joint meeting with Chartered Accountants' Students' Society and Solicitors' Apprentices Debating Society.

"Recent Changes in the Law relating to Bankruptcy," by Mr. Samuel Henry.

The third annual students' dinner was held on April 1st, 1931, and proved a most enjoyable function. Representatives of the Chartered Accountants' Students' Society were present. The Committee trust that all the student members will continue to take an interest in the work of the Society, and the attendance at next season's lectures will be well maintained. Arrangements have been made with the Principal of the Municipal College of Technology, Belfast, and special classes for accountancy students are now in operation covering the syllabus of the Society's examinations.

GOLF COMPETITION.

The annual golf competition for the "Booth" Cup was held at Donaghadee Golf Club, Donaghadee, Co. Down, on May 30th. Twenty members participated under ideal weather conditions. The winner of the cup, presented by Mr. Norman Booth, and the prize presented by Mr. James Baird (President) was Mr. J. H. Allen, the runner-up being Mr. H. Andison. In the afternoon a consolation stroke was held, the winner being Mr. N. A. Noble. The autumnal competition for the "Allen" Cup held at Knock was won by Mr. H. Andison, Mr. A. Allen winning the running-up prize.

MONTHLY LUNCHEONS.

The monthly luncheons proved very successful and the Society was honoured by the attendance of the following guests who delivered short addresses on interesting subjects:—

"Deeds of Arrangement," by Mr. J. B. McCutcheon (Past President of the Incorporated Law Society, Northern Ireland).

"Income Tax in Northern Ireland," by Mr. A. E. Silvester (Chief Inspector of Taxes, Belfast).

"Some Problems of Elementary Education," by Sir R. W. Livingstone (Vice-Chancellor of Queen's University, Belfast).

RULES.

The Parent body have drafted model rules for the use of all District Societies, and the members will be asked to adopt these rules at the annual meeting.

Sir Richard Livingstone, M.A., LL.D., Vice-Chancellor of Queen's University, Belfast, was the chief guest of the Belfast and District Society of Incorporated Accountants and Auditors at their monthly luncheon on March 28th.

Sir Richard began by saying that he often went up to the Castlereagh hills, and looking out over the Lagan valley, he wondered if Nature had given to any industrial city in the British Isles such a superb situation; he regretted that they did not have a Town Planning Bill 70 years ago; and he wondered why on earth there were 400,000 people in Belfast. There was no reason, it seemed to him, why this city should have more than 60,000 or 70,000 inhabitants, or why it should have become a big industrial community. It seemed to him that Ulster's future depended on two things, the first of which was the obtaining of the best possible people for business. The other essential was education. A rich country might possibly get on without education, but no poor country could afford to do without it. Ulster had splendid human material, and there were as good brains in the province as anywhere in the world. He thought the modern difficulty about education was that people were apt to treat it as a fetish. There was a tendency in these islands to over-stress elementary education. He thought highly of the work for elementary education, but it was most important not to overlook the higher forms of education. Elementary education was a preparatory thing. He was certain they would not get good out of their elementary education until they made some sort of continued education compulsory. In Germany—and he thought this was the right method—there was part-time continued education up to the age of 18. This meant that something was put on the foundations so laboriously and expensively erected up to the age of 14. The kind of education he envisaged was largely vocational. One wanted to study the theory of the job one was doing, and there was the machinery for that in their admirable technical educational system. To technical education they should add humanistic education—the study of history, economics,

and literature. Mere technical education by itself would not make a man a good voter.

Mr. James Boyd, F.S.A.A., said that 70 or 80 per cent. of the men who made the city of Belfast had no education other than that obtained in the national schools.

Professor F. T. Lloyd-Dodd largely agreed with this statement. "But," he said, "just imagine what they would have done if they had had secondary education and had gone to the University! What giants of finance we should have had instead of ordinary, sound business men!"

Mr. James Baird, F.S.A.A., who presided, paid a great tribute to Sir Richard's work for education.

MANCHESTER. ANNUAL MEETING.

The forty-fifth annual general meeting was held at the Grand Hotel, Manchester, on Thursday evening, April 16th. Mr. Jas. A. Hulme, President, was in the chair, and 68 members and students were present.

The report, as summarised below, and the financial statement for the year ended December 31st, 1930, as printed and circulated, were approved and adopted.

A set of Model Rules for District Societies, as approved by the Council of the Society of Incorporated Accountants and Auditors, was approved and adopted as the Rules of the Manchester District Society.

In accordance with the new Rules, it was resolved that the name of the District Society should be "Incorporated Accountants' Society of Manchester and District." This resolution was passed with one dissentient.

The following retiring members were re-elected to the Committee: Mr. Craven, Mr. Leah, Mr. Marriott, Mr. Nixon, Mr. Halvor Piggott and Mr. Southern.

The following new members were also elected to the Committee: Mr. Harold Dickson, A.S.A.A., Mr. Alfred Brown, A.S.A.A., Miss Daisy Cross, A.S.A.A., Mr. A. T. Eaves, F.S.A.A., and Mr. A. W. Kenyon, F.S.A.A.

On the motion of Mr. F. Wainwright, seconded by Miss Annie Paterson, a vote of thanks was accorded to Mr. Jas. A. Hulme for his services as President during the past year.

Report.

The Committee present to the members a report of the activities of the Society during the year 1930.

SOCIETY MEETINGS.

The following meetings were held during the latter part of the session 1929-30 and the earlier part of the 1930-31 session:—

Paper by Mr. Halvor Piggott, "Amalgamation of Companies."

Dance for Incorporated Accountants and their friends.

Lecture by Mr. N. J. Laski, K.C., Barrister-at-Law, on "Case Law as Affecting Secretaries and Accountants." Annual General Meeting.

Joint meeting with members of the Manchester and District Branch of the Chartered Institute of Secretaries. Lecture by Mr. Reginald Kenny on "Our Antiquated System of Finance."

Special meeting of members.

Consideration of Income Tax Points—General discussion.

Paper by Mr. Halvor Piggott, F.S.A.A., on "Conversion of Business to a Limited Company."

LIBRARY.

Hon. Librarian's Report.—The circulation of the library during the year ended December 31st, 1930, showed a slight increase over the previous year, the number of books lent being 66 as against 61 for the previous year. A number of new books and publications have been added to the collection since the date of my last report. The

Committee have under consideration the question of issuing a new catalogue. Members are reminded that facilities exist for having books forwarded to them by post where they are unable to call, and the Librarian will be glad to receive suggestions for new works and publications for addition to the library. The Library room is at the disposal of members free of charge for the purpose of making appointments with clients, and it is desired that members shall notify Mr. Rogerson (Telephone: Central 4124), of such appointments.

LUNCHEONS.

During 1930 members met together for luncheon on the undermentioned dates, and were addressed by guests of the Society. The Committee regret to have again to record an inadequate support by the members.

April 30th.—Address by Principal D. Mouat Jones, D.S.O., M.A., of the Manchester Municipal College of Technology, on "The Importance of Technical Education."

October 8th.—Address by the President, Mr. Jas. A. Hulme.

December 10th.—Address by Mr. Sidney F. Wicks (Joint Managing Director, Messrs. Cross-Courtenay, Limited), on "Are Advertising Costs Disproportionate to Production Costs?"

DINNER OF THE SOCIETY.

As the Society held a dinner on October 21st, 1929, as mentioned in the last report, and in view of the Society completing its 45th year in January, 1931, no dinner was arranged for 1930, but a very successful function took place on February 16th, 1931, which will be referred to in the next report.

STUDENTS' SECTION.

During the year this Section has been reorganised, and the members appointed a Committee who have been responsible for the management of the Section. Two members of the Committee, Mr. J. R. Cooper and Mr. P. V. Forster, resigned owing to their leaving the district. The following now constitute the Committee:—Mr. W. R. Murray (Chairman), Mr. W. H. Chesworth, Mr. J. Maddock, A.S.A.A., Mr. J. McMurray, and Mr. Malcolm E. Hose, A.S.A.A., Hon. Secretary. There is also a Social Committee composed of Mr. M. E. Hose, Mr. S. Berman, Mr. W. H. Charlesworth, Mr. W. Rowlands, and Mr. G. H. Newsome.

The following meetings were held:—

Lecture on "Some Special Points in Company Law," by Mr. Morris Diamond, LL.B.

Papers by members on Topical Subjects.

Mock Shareholders' Meeting.

Further activities were arranged for the second portion of the 1930-31 session, and the Students' Committee will carry on their endeavours to maintain a healthy and interested Section.

The total number of students on the register at December 31st was 220.

COMMITTEE.

The following retire by rotation, but are eligible for re-election: Mr. Godfrey Craven, Mr. Horace B. Leah, Mr. Geo. A. Marriott, Mr. William A. Nixon, Mr. Halvor Piggott, and Mr. Alfred Southern. There is one vacancy on the Committee, and another arises through the resignation of Mr. John H. Burton, on his appointment as Botolph Treasurer of Stepney (London).

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

Mr. D. Bernard Morgan, Director of David Morgan, Limited, Cardiff, was the lecturer at a well attended

meeting held on March 23rd. Mr. E. Ewart Pearce, A.S.A.A., who occupied the chair, was supported by Mr. F. J. Alban, F.S.A.A., Mr. James J. Evans, F.S.A.A., Mr. Percy A. Hayes, F.S.A.A., Mr. A. Percy Horton, F.S.A.A., Mr. D. H. Husband, F.S.A.A., Mr. C. S. Lashmore, F.S.A.A., Mr. J. Llewellyn Morgan, Mr. H. Meanock (representing Cardiff Insurance Institute), Mr. John Powell (President, Cardiff Chamber of Commerce), Mr. J. N. Smith (Hon. Secretary, South Wales Branch of the Institute of Municipal Treasurers and Accountants), Mr. O. J. Thomas, A.S.A.A., Miss D. M. Slaymaker, A.S.A.A., and Mr. J. Alun Evans (Hon. Secretary, Cardiff and District Students' Section), together with a good attendance of student members of the Institute of Municipal Treasurers and Accountants and of our own Society.

The subject of Mr. Morgan's lecture was "Drapery Accounts." Mr. E. Ewart Pearce, the Chairman, in welcoming him, described him as a director of a firm which was held in very high esteem in South Wales business circles. Mr. Morgan, he said, had had a very wide experience of modern accountancy. The Hon. Secretary (Mr. J. Alun Evans) explained that the modern accounting methods in the counting-house of David Morgan, Limited, were inaugurated by, and were under the supervision of, Mr. Bernard Morgan. Those methods were now based to a surprisingly large extent on the use of mechanical appliances, and it would be realised that the clerical work of such a large and varied concern must be exceptionally heavy and detailed, and needed always to be up to date.

Mr. Bernard Morgan said he was in no sense of the term an accountant. He thought he might claim that the drapery business was run on similar lines to that of a bank. The drapery business entailed a mass of details and accuracy in the keeping of accounts. Speed in methods of accountancy had been responsible for the introduction of a tremendous development in mechanical machines. The old pen-and-ink methods had been discarded in favour of mechanical devices. With the aid of members of the staff of the firm, Mr. Morgan demonstrated and explained the uses of the accountancy appliances used in the counting house; he also produced a large number of the forms used. A hearty vote of thanks to the Lecturer was proposed by Mr. F. J. Alban, F.S.A.A., and seconded by Mr. A. Percy Horton, F.S.A.A. Mr. Morgan suitably responded and kindly agreed to the suggestion that he should deliver another similar lecture at a later date.

The concluding meeting of the session was held at Cardiff on March 26th, when the proceedings took the form of a Mock Creditors' Meeting. The following officers and members of the Students' Section took part:—Mr. E. Ewart Pearce, A.S.A.A. (Largest Creditor), Mr. K. V. Stephens and Mr. K. S. Williams (Accountant and Chief Clerk), Mr. L. J. Muller, A.S.A.A. (Guarantor), Mr. E. V. C. Nicholls (Execution Creditor (Landlord)), Mr. T. W. M. Bowen (Debtor), Mr. Noel Cliffe (Dissenting Creditor), Miss D. M. Slaymaker, A.S.A.A. (Debtor's wife).

Mr. E. Ewart Pearce, A.S.A.A. (the largest creditor), was voted to the chair, and was supported by Mrs. Pearce, Mr. W. J. Pallot, F.S.A.A. (President of the District Society), Mr. J. Pearson Griffiths, F.S.A.A., Mr. H. G. Fooks, A.S.A.A., Mr. J. Alun Evans (Hon. Secretary), the Rev. W. W. Ayres and Mrs. Ayres, and a large attendance of students. The position of the debtor, as indicated by a statement of affairs and deficiency account, was criticised for quite an hour by a large number of those present. The Debtor and his wife were afterwards questioned, and there was not one dull moment during

the whole evening's proceedings, which lasted for 2½ hours. The meeting proved to be one of the most successful held this session, and was concluded by a hearty vote of thanks to those responsible for the arrangements, and particularly to Mr. K. V. Stephens and Mr. K. S. Williams, who had put in a considerable amount of work in the preparation of the accounts, and to Miss Slaymaker.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Branch—Annual Meeting.

As briefly reported in our last issue, the Annual Meeting of the Scottish Branch was held in Glasgow on March 27th. In the absence of the President, Mr. D. Hill Jack, J.P., Dr. John Bell occupied the chair.

There were also present Mr. R. T. Dunlop, Mr. W. Davidson Hall, Mr. W. Hill Jack, Mr. Wm. Houston (Glasgow); Mr. J. Stewart Seggie and Mr. Walter MacGregor (Edinburgh); Mr. W. J. Wood (Perth); Mr. E. Mortimer Brodie and Mr. J. M. Roxburgh (Port Glasgow); Mr. D. M. Muir (Dunfermline); Mr. J. C. McMurray (Kilmarnock); Mr. J. T. Morrison (Coatbridge); Mr. J. Hawthorne Paterson (Greenock), and Mr. James Paterson, Secretary of the Branch. Apologies for absence were intimated from Mr. D. Hill Jack, J.P., Mr. W. L. Pattullo, Mr. P. G. S. Ritchie, Mr. J. Cradock Walker, and Mr. D. R. Matheson, M.A., LL.B.

After a reference to the unavoidable absence of Mr. Hill Jack, the Chairman, in moving the adoption of the report and accounts, said that it would be seen that the Branch had had a year of progress. There was an increase in the number of articulated clerks, the number of candidates attending the examinations in 1980 was the largest in recent years, and the amount of examination and other fees paid through the Branch was the second highest in the history of the Branch. There was also a large increase in the membership of the students' societies. Two prominent members of the Branch had passed away since last annual meeting. Mr. Dugald McAlister had been a loyal member for many years. Mr. Andrew Robertson Weir, a much younger man, had been very helpful as a lecturer to the students, and just before his death had been promoted to the Presidentship of the Glasgow Students' Society. They also regretted that through ill-health Mr. Scott Finnie, of Aberdeen, was not able to continue his valuable services to the Branch. He concluded by referring to the work done by the Society in upholding a high standard for the profession and in its world-wide activities. Mr. Stewart Seggie seconded, and, after remarks by Mr. R. T. Dunlop, Mr. Mortimer Brodie, Mr. Wm. Hill Jack and others, the report was adopted.

The retiring members of Council, Mr. E. Mortimer Brodie (Port Glasgow), Mr. W. L. Pattullo (Dundee), and Mr. J. Cradock Walker (Glasgow) were re-elected. Mr. Alexander Davidson (Peterhead) was elected a member of Council in room of Mr. A. Scott Finnie. Mr. Robert Fraser and Mr. J. C. McMurray were re-elected Honorary Auditors.

Scottish Branch—Presidentship.

After a notable service of 27 years as President of the Branch, Mr. David Hill Jack, J.P., has retired. A successful and highly respected member of the profession in Glasgow, Mr. Hill Jack took a keen interest in all matters connected with the Scottish Branch, and was particularly helpful to the younger members and candidates with his advice and friendly encouragement. For a quarter of a century he was one of the representatives of the Scottish Branch on the London Council. Mr. Hill Jack is succeeded in the Presidentship of the Branch by Mr. James Stewart Seggie, F.S.A.A., Chief Accountant to the Department of Health, Edinburgh. Mr. Seggie, who is the author of a standard work on "Executorship

Accounts," is a Chartered Accountant, is well known in Civil Service sports circles, and an enthusiastic Freemason and a keen Burnside.

Insurance Companies' Accounts.

At a meeting of the Insurance Society of Edinburgh, Mr. L. B. Bell, C.A., delivered an address on "The Statutory Accounts of Insurance Companies, with Special Reference to the Insurance Undertakings Bill, 1927." Mr. Bell pointed out that the general law of the country allowed great latitude to joint stock companies as to the form in which their accounts might be prepared. The legislature had, however, found it practicable and desirable to prescribe standardised forms of accounts for certain industries. One of the most important of these was insurance, for which forms of account were prescribed by the Assurance Companies Act, 1909. That Act had been beneficial, but through lapse of time amendments had become necessary. Accordingly in 1924, a Departmental Committee was appointed "to inquire into and report what amendments are desirable in the Assurance Companies Act 1909." A draft Bill had been suggested by this Committee described as "The Insurance Undertakings Bill, 1927," in which were embodied their recommendations for the repeal of the Act of 1909, and its re-enactment with modifications. The accounting provisions of the Bill were based on the principle that publicity was the best protection of the insuring public. The form of accounts had accordingly been framed so as to give adequate but not redundant information as to the transactions and financial position of insurance companies so that policy holders and others could form an opinion as to the ability of the companies to fulfil their obligations.

A Factor *loco absentis*.

A rather unusual case came before the Lord Ordinary last month. A petition was presented for the appointment of a factor *loco absentis* on the estate of Charles McCulloch. In 1924 Mr. McCulloch, then a comparatively young man, acquired by transfer 1,004 shares in the Eastern Necropolis Company, Glasgow. He was then described as a mining engineer. Since 1924 he has not been heard of, and dividends amounting to £4,737 have accrued. All inquiries have failed to find him or to get a postal address. As the company now proposes to sell its undertaking it was necessary to get someone appointed to deal with the matter.

North-East Students' Society.

To comply with Bye-law 24 a Students' Society has been formed for Aberdeen and the North-East of Scotland, with Mr. Alexander Davidson, F.S.A.A. (Peterhead), President; Mr. D. R. Bishop, A.S.A.A. (Assistant City Chamberlain, Aberdeen), Vice-President; and Mr. Wm. Webster, A.S.A.A. (Peterhead), Hon. Secretary and Treasurer.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate,

Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

Holt v. Catterall and Others.

Retirement of Director.

By Article 97 of a company's Articles, "At the second ordinary general meeting in each calendar year, one-third of the directors shall retire from office. A retiring director shall retain office until the dissolution of the meeting at which his successor is elected." By Article 100, "If at any meeting at which an election of directors ought to take place the places of the retiring directors or some of them are not filled up, then, subject to any resolution reducing the number of directors, the retiring directors, or such of them as have not had their places filled up and may be willing to act, shall be deemed to have been re-elected."

It was held that if a retiring director was not re-elected, and if his place was not filled up at the same meeting, he retained office until his retirement by rotation, since by Article 100 he was to be deemed to have been re-elected and therefore there was no vacancy to which a successor could subsequently be elected.

(Ch.; (1931) 47 T.L.R., 332.)

MISCELLANEOUS.

Morris v. Britannic Assurance Company.

Insurance on Life of Illegitimate Child.

By the Industrial Assurance Act, 1923, sect. 3, collecting societies and industrial assurance companies may issue policies of assurance, insuring money to be paid for the funeral expenses of a child, and the issuing of such policies is to be treated as part of the industrial assurance business of the society or company.

McKinnon (J.) held that the word "child" in sect. 3 included an illegitimate child, and that a policy taken out by the mother of an illegitimate child insuring money to be paid for funeral expenses was legal.

(K.B.; (1931) W.N., 83.)

REVENUE.

Slaney v. Starkey.

Profits of Office or Employment.

By the Income Tax Act, 1918, Schedule E, Rule 1, "tax under this Schedule shall be annually charged on every person having or exercising an office or employment of profit mentioned in this Schedule, or to whom any . . . stipend is payable in respect of all salaries, fees, wages, perquisites or profits whatsoever therefrom for the year of assessment."

Rowlatt (J.) held that an assistant curate is liable to pay income tax in respect of offerings from church collections and that such offerings were by way of remuneration and not a gift.

(K.B.; (1931) L.J.N., 204.)

Inland Revenue Commissioners v. Holder.

Repayment of Income Tax.

The respondents gave guarantees to secure a company's continuous indebtedness to a bank, the interest being debited half-yearly against the company in the company's account with the bank. Finally, the whole indebtedness of the company to the bank was satisfied by the respondents, and under sect. 36 of the Income Tax Act, 1918, the respondents claimed repayment of income tax on the interest.

It was held by the Court of Appeal, reversing the decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, February, 1931, p. 204), that as the bulk of the interest had been capitalised by the bank with the approval of the principal debtor, and as sect. 36 did not inure to the benefit of a guarantor, the respondents' claim failed both as to the bulk of the interest and as to the balance.

(C.A.; (1931) 47 T.L.R., 330.)